DOCUMENT RESUME

ED 378 903 HE 028 054

AUTHOR Butterfield, Barbara S.; Wolfe, Susan
TITLE You Can Get There from Here: The Road to Downsizing in Higher Education.
INSTITUTION College and Univ. Personnel Association, Washington, D.C.
REPORT NO ISBN-1-878240-38-2
PUB DATE 94
NOTE 140p.
AVAILABLE FROM College and University Personnel Association, 1233 20th St., N.W., Suite 301, Washington, DC 20036-1250 ($15 members; $20 nonmembers).
PUB TYPE Books (010) -- Guides - Non-Classroom Use (055)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Budgets; *College Administration; College Planning; Colleges; Dismissal (Personnel); Diversity (Institutional); Early Retirement; Employment Practices; *Financial Exigency; Flexible Working Hours; Fringe Benefits; Higher Education; Job Layoff; Organizational Communication; Outplacement Services (Employment); Personnel Policy; Planning; Program Termination; *Reduction in Force; *Retrenchment

ABSTRACT

This book approaches college and university budget reduction mandates as an opportunity to reexamine and recast outdated, inefficient processes and to increase administrative effectiveness and efficiency in supporting the academic missions of teaching and research. The book uses a road-map metaphor to tell the downsizing story and to advance the notion that downsizing can be approached like a journey. The chapters are titled: (1) "Planning the Plan: Drawing the Map"; (2) "The Budget: Reading the Roadmap"; (3) "Effective Communication: A Two-Way Street"; (4) "Contracting Out: Deciding Whether to Lease or Own"; (5) "Managing Benefits Costs: Maneuvering a Tight Turn"; (6) "Managing Risk: Assessing Insurance Options"; (7) "Reduction Alternatives: A Multiforked Road"; (8) "Programs and Policies: Yielding Right of Way to Laid-off Staff"; (9) "Early Retirement: Respecting Where You've Come From"; (10) "Retaining the Institution's Multicultural Character: Many Routes to the Right Place"; (11) "Flexible Work: How To Turn Detours into Shortcuts"; (12) "Commitment through Work Redesign: Rebuilding the Roads and Bridges"; (13) "Downsizing Human Resources: Mapping Your Own Course"; (14) "Monitoring and Reporting: Checking the Landmarks Against the Map"; and (15) "Old Contract/New Contract: Changes on the Road to Reduction." Appendixes contain a sample early retirement agreement and a salary and benefit cost reduction management guide. (JB)

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You *Can* Get There from Here:

The Road to Downsizing in Higher Education

by Barbara S. Butterfield
with
Susan Wolfe

College and University Personnel Association

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Cover design by C. David Hopkins, CUPA
Typesetting by Erin M. Sweeney, CUPA

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Washington, DC 20036-1250
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ISBN: 1-878240-38-2

Dedication

To Professor Edward B. Sasse
Academic mentor

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Preface

We haven't the money, so we've got to think.
—Lord Rutherford 1871-1937

Human resources professionals, particularly, are challenged to maintain high workplace commitment and morale among a staff that may be skeptical of institutional change and frightened by the prospect of lay offs.

This book attempts to approach the reduction mandate as an opportunity to reexamine and recast outdated, inefficient processes and to increase effectiveness in supporting the academic missions of teaching and research. Our primary focus is on administrative functions, though we suggest some academic streamlining alternatives. Our hope is that as more and more of the nation's colleges and universities are forced to face budget reductions, human resources managers can contribute to building equitable processes that result, in the long term, in greater employee effectiveness, efficiency, and job satisfaction.

We have chosen the metaphor of a roadmap to tell the downsizing story because, it seems to us, restructuring is not unlike a journey: different travelers with different goals select different routes and, often, different destinations. But there are some common elements of each trip: charting the course, reading the signs along the way, deciding when to change course or take detours.

So it is with the view of a journey that we suggest ways to plan an institutional reorganization, ways to communicate to staff and other constituencies how the process is unfolding, and ways to find alternatives to staff lay offs. The last may range from reassessing benefits and institutional insurance expenditures; to offering flexible work opportunities such as reduced hours, staff sabbaticals, or telecommuting; to forecasting a long-enough timeline that attrition, retirements, and voluntary resignations can make a meaningful contribution toward budget reduction goals.

We discuss the pros and cons of contracting with external vendors to provide campus services, providing centralized versus decentralized administrative support, and offering early retirement incentives for staff. And we explore ways to retain an institution's affirmative action gains while reducing overall staff size.

The reduction task can be daunting, and may even become a way of life for the foreseeable future. We hope that this volume provides advice, alternatives, and assurances that you *can* get there from here.

Barbara Butterfield, Ph.D.
Susan Wolfe
Stanford, CA
July, 1994

Acknowledgements

We are grateful to the many people who contributed to the production of this publication by providing information, expertise, and support to our work. They include:

Raymond Bacchetti
Marilyn Bechtold
Ernst Benjamin
Mark Bookman, J.D.
Robert Beth
Anne Casey
Coopers & Lybrand's Higher Education Consulting Group
Geoffrey Cox
Kathryn Davis
Education and Non-Profit Consulting, Inc.
Stephen Fink
James Franklin
Philip J. Goldstein
Charles Holloway
Beth Kane
Tina Kass
Janice A. Keefe
Daphne E. Kempner
Charles Kruger
Richard Kurovsky
Lori Lee
Edward A. Lenz
Judith Little
Jonathan B. Lovell
Theodore Mitchell
Joanne Moberly
Sharon Parker
Clare Phillips
James Rosse
Sean C. Rush
Susan Schofield
Terry L. Shepard
Keith Smith
Marshall Smith
Frank Topper

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CHAPTER

1

Planning The Plan: Drawing the Map

Navigating an institutional imperative to downsize is a bit like planning a family reunion: though you are obliged to accept the responsibility, you feel ambivalent about the prospect. Some things will happen that you won't like; some people you do like won't make it to the final destination. You want to do all in your power to create a positive outcome, yet you know that the potential for miscommunication and hurt feelings is great.

So what do you do: drive directly to the airport to hop a plane to the reunion site? No, instead you lay the groundwork, decide when and where to hold the reunion to attract maximum participation; consult the relatives on the plan (and possibly change the date or place to accommodate others' availability); check flight schedules, roadmaps, and hotel availability; send out formal invitations; plan menus and activities; and know that some plans will change in the process.

Likewise, successful institutional reduction requires planning. Spending cannot simply stop. It must be evaluated and slowed down over a reasonable period of time, and measures must be taken to reduce expenses permanently. Alternatives must be weighed. Unit managers, who might be ambivalent or even completely opposed to the enterprise, must be integral to the process or the numbers will not stick. In fact, the best plans are developed by the decentralized managers of the institution, and approved by boards of trustees or regents who act as advisers, not hands-on managers of detailed downsizing.

Devising a framework for developing a downsizing plan that addresses both budget and strategic imperatives could take up to a year. Implementing the plan might take another two to three years—quite fast for higher education institutions. But the time and effort will be well spent if they result in a dynamic equilibrium among the academic program, the organizational structure, and the institution's financial resources.

The Vision Fuels the Drive

Clear vision and determination will drive the content of the plan and the pace of its implementation. A well-crafted vision statement presents the challenge, serves as both basis and predicate for the effort, affirms the institution's mission, and makes it clear that difficult choices will have to be made. It conveys in not-so-subtle terms the goal of going beyond balancing the budget to achieving a renewed capacity for innovation.

Sharply limiting deficits ultimately will lead to a balanced budget, but the process for limiting spending must be consultative, so that the stakeholders are involved in framing the issues, creating alternatives, and implementing the course of action.

Of course, unbridled spending cannot continue as administrators take the time necessary to plan the plan. There must be an immediate, interim approach to reduce the deficit and to cut the call on reserves to a minimum. Some of the interim measures will be continued for the long term. Others are merely stopgap measures designed to position the institution for the implementation phase.

Some of the immediate measures to reduce expenditures might be to:

- Delay salary increments for six months to a year.
- Enact holdbacks of operating budget that are low-percentage and across the board.
- Limit new faculty hiring to those with employment offers already extended.
- Limit staff hiring with a proportional freeze, in which some portion of emptied positions remains vacant.
- Use empty positions to accelerate lay offs elsewhere by offering lay-off candidates the opportunity to transfer to positions vacated through attrition.
- Limit temporary employment and supplementary pay.
- Reduce the use of outside contractors.
- Limit capital expenditures.
- Make maximum use of restricted funds to cover one-time obligations.
- Explore income alternatives, such as a surcharge on expendable gifts used, draw income from the consolidated budget to release operating budget obligations, and an increase in the endowment payout rate.

This last measure avoids excessive drain on reserve principal. Moreover, it has been shown that spending reserves and raising the payout rate are arithmetically equivalent in their total claim on the bottom line.

In many cases, such as slowing the rate of hire and limiting capital expenditures, individual unit managers can make their own trade-off decisions once they have arrived at their budget reduction targets.

Designing the Map: The Many Roads that Lead to Reduction

Task forces are an effective, consultative tool to study program, structure, and policy alternatives for the long term. They can analyze standard downsizing measures and explore new ways to look at cost. A second approach would add advice of experts—either faculty experts or outside consultants—to analyze and evaluate defined options.

Some policy alternatives for task forces and expert consultants to consider include:

- *Organizational decentralization*, in which schools take over the management of the institution's economy, including the costs associated with vice presidential support areas (though this approach can actually add cost if not accomplished carefully).
- *Costs and income comparisons*, in which the institution's full costs and income are determined and attributed, and compared with other similar institutions. The findings are used to evaluate the budget and program consequences of eliminating entire units.
- *Collaborative examination between deans and vice presidents on the size and depth of support areas*. This examination entails bringing together managers with different perspectives in order to achieve efficiency, effectiveness, and downsizing goals, including meeting reduction targets.
- *Increased decentralized authority to shop for price*, so long as the institution asset value is not compromised. Allowing units to make their own purchasing decisions reduces the burden on the purchasing department.
- *Examination of faculty/staff demographics* as a tool for reviewing strategic options to reduce the average cost of faculty and staff.
- *Examination of income enhancements*, including treatment of invested assets, income incentives, and the size and mix of the student population.
- *Exploration of an early retirement program*.
- *Examination of all proposals* that would cut $1 million or more.
- *Analysis of growth over the past decade* as a source of ideas for reduction and as a means of assessing the ramifications of reshaping the institution.

Taking Aim: Choosing the Destination

Estimating the budget targets and how they should be tackled is a daunting task. It can be made somewhat more manageable, however, by parallel processing—that is, by building cross talk between the various task forces'

participants and unit leaders into the process so that they can influence one another and, eventually, converge on a solution. While deans and vice presidents are dealing with targets at the local level and collaborating with the president and provost, task forces can simultaneously recommend analytical efforts to help them get there.

Some central measures may ease the local reduction targets. For example, cuts in staff benefits and student aid, or reduction or elimination of entire programs may lighten the loads that the units have to carry. Similarly, increasing the numbers of students, raising tuition, altering the treatment of gift income, and expanding summer programs and continuing education may boost the revenue enough to spare the rod, at least slightly.

Still, it is highly unlikely that central measures alone can solve a sizable budget problem. So local units will have to establish reduction targets. It often is wise to do so in two rounds.

The first round should be consultative and iterative, engaging all those concerned in exploring deep options that underscore the goals of reorganization and budget reduction. This initial round of discussions, centered on dollar targets determined by academic and nonacademic leadership, should produce ideas and evidence on which the second and final round is based.

Assessing the Damage

Divvying up the pie is no piece of cake. But administrators can make a few key assumptions in making the cuts. Take a hypothetical reduction of $20 million. First, administrators might assume that one-quarter, or $5 million, could be cut centrally. Second, they ask deans and vice presidents to assume that another $6.5 million will be made in across-the-board cuts. That leaves the units with $8.5 million to cut collectively.

Various criteria would determine how deeply each unit would have to cut. These include:

- Centrality of the program to the mission of the institution. To what extent is the program essential to the institution, a distinctive strength of the institution's profile in research and teaching, necessary to support other valuable programs, or vital to the intellectual community?
- Quality of the program in relation to other programs within the institution and to comparable entities nationally, including the quality of its offerings, its faculty resources, and the students it draws.
- Demand for the program's services from students, other programs, and the general public, as measured by applicant flow rates, number and quality of acceptances, and prospective market for graduates.
- Cost of a program relative to the cost of comparable programs, both within the institution and at other schools; the relative degree

of economic self-sufficiency; the benefit to the institution in terms of revenues produced; the support provided to other crucial programs; its current and foreseeable budgetary health.

- Potential redistribution of resources that will be available as a result of termination of a program, weighed against costs, lost income, prior commitments, and other negative effects of cutbacks.
- Protection of rights under academic tenure, and adherence to the institution's policies governing untenured faculty appointments, academic staff, and nonacademic staff.

As already mentioned, the first round of the budget reduction discussion should focus on specific targets for each area, with an eye toward maximum savings in the first year of the two-year reduction implementation phase. Participants also should seek out one-time savings for the initial downsizing year.

In addition, participants might embark on a fundamental study of the core academic mission with the aim to influence and converge on restructured priorities and organization. This process ensures that the institution will be propelled forward by a vision rather than shoved sullenly into the future by the formidable obligation to balance the budget.

A fundamental examination of the mission, coupled with a vision statement, helps to ensure that the focus remains on the strengths of the institution and does not inadvertently slip back to a budget-cutting exercise.

Strong leadership, complemented by community participation, will give the resulting recommendations a quality of collective authorship. By sharing the general background that set the stage for reduction, administrators achieve a common understanding of the value of the process, the worth of the objectives, and the necessity for community involvement.

Communication is essential, not only to convey ideas from the task force participants to the community, but also to respond to specific groups and to incorporate their special concerns and advice into the plan. Ethnic groups, unions, alumni, and donors are just some of the groups to consult.

To make sure that the process continues its forward momentum, it is wise to set out a quarterly schedule for producing results and reporting them to various constituents: the president and provost, the deans and vice presidents, the central planning committee and a committee of the institution's board of regents or board of trustees.

For example, the first quarter might focus on round one targets and special studies to inform the process. The second quarter could address second approximations of targets and alternatives, plus consideration of central initiatives. A third quarter report could include tentative recommendations or report of the plan to the board, with room for board members' modifications. And a fourth quarter effort could incorporate last-stage advice into an implementation plan that articulates the scope and pace of reduction and organizational changes, and the rationale for implementation beginning in the subsequent quarter.

With the finalization of the plan, the implementation process begins, and given that devising the plan can take a year, a two- to three-year implementation is not entirely unreasonable. Set targets within that time frame, again, to maintain momentum and to reach closure on an often painful process.

For example:

- Aim to make 45 percent of the cuts in the first year of implementation.
- Aim to make another 45 percent of the cuts in the second year.
- Complete the final 10 percent by the last six months of the implementation phase.

Of course, some units will have to move faster than others to relieve the units saddled with grandfathered expenditures, the units that have found long-term savings in the time-consuming but cost-effective installation of technological systems, and the units with short-term commitments and other matters that limit their flexibility. Intrayear budget holdbacks may be necessary as well.

Why is the planning period so long, and with so much consultation? Consultation: increases the flow of ideas and alternatives; allows planners to test the feasibility of alternatives; and builds a degree of participation that leads to ownership and acceptance of the plan.

Carry out consultation within the unit itself, with functionally related units and with clients, especially where actions will modify, reduce, or eliminate services.

In preparing the plan, ask participants to follow these guidelines for expenditure reductions:

- Cuts should not transfer responsibilities to other units, unless funds accompany the transfer.
- Reductions in staffing should be related to reductions in work.
- Reorganization of objectives and expectations should accompany the resized unit or office capacity. Otherwise, the net result will be an increase in stress and frustration.

In planning the plan, it becomes clear to most administrators that redesigning the process and content of jobs is an integral component of an institutional reduction. Without considering these pieces, the reduction is likely to save dollars while squandering an even more vital resource—people.

Planning the Plan: First Steps

In short, then, consider these first steps in planning a budget reduction plan:

- Create a vision statement to present the challenge and affirm the institutional mission. Implicit in the statement is that work flow and process will be reassessed as the budget is recast.
- Implement immediate stopgap spending measures.
- Create task forces to study the program, structure, and policy alternatives, analyze standard downsizing measures, and explore innovative alternatives.
- Consider the use of experts to perform some of the functions of task forces.
- Exchange information among the task forces and the leadership. Parallel processing improves the outcome.
- Set criteria for program cuts.
- Set targets, starting with central cuts and identifying targets for each unit.
- Establish consultation by unit managers with their own staffs, functionally related unit staffs, clients, and special interest groups, such as alumni and ethnic staff groups, in determining how to reach budget reduction targets.
- Establish quarterly deadlines to maintain forward momentum.
- Redesign work processes as you redesign the budget.

Doing the groundwork these guidelines suggest before implementing any cost-saving measures can pave the way for a smooth, steady, and staff-supported reduction that not only trims the budget, but also increases institutional efficiency. Without a roadmap, it is much more difficult to get there.

CHAPTER 2

The Budget: Reading the Roadmap

As they consider their reduction imperative, many administrators think exclusively of their own department's budget, or, more broadly, of the institution's operating budget. But the budget they really should take note of is the institution's overall, consolidated budget, for it provides a picture of all expenditures of the institution, and offers the ability to track areas of growth over the long haul.

An overall budget at a private institution might include income from:

- Grants and contracts
- Tuition
- Unrestricted gifts
- Enterprise revenue
- Income from endowment funds
- Some designated money, such as gifts donated without restriction, but later designated for a particular purpose by the board of regents or trustees
- Some restricted money, including gifts and government grants

The budget picture may reveal the need to increase contributions for operating purposes, but it may fail to tie particular expenses to particular sources of funds. For example, transfers from accounts in the overall budget to accounts in the operating budget show up simply as additional income. In other words, an institution cannot track the growth of expenses when money is borrowed from another account within the overall budget. In addition, the operating budget does not include the capital budget. For many larger institutions, the campus is in a state of constant construction, so the capital budget is an important factor in considering the whole.

By far the largest cost that colleges and universities face—roughly two-thirds of their expenditures—is total compensation: salary and benefits. Benefits add about 30 percent to the salary package of each employee.

In addition, financial aid can represent a substantial percentage of the

operating budget, particularly at private institutions, and overhead can compose as much as 10 percent. Under the incremental budgeting process outlined below, financial aid is considered a discount to the price versus the expense of an individual education: administrators gather as much financial aid money as they can from outside the institution and then fund the remainder of the tuition expense.

To ensure that budgets are managed well, significant planning is necessary. There are several methods of resource allocation. They include:

- *Incremental budgeting.* This process adopts the previous year's base budget plus inflation as the next year's budget.
- *Formula-driven budgeting.* This process assumes that the operating budget equals a certain number of dollars per student. This ratio determines the number of faculty and staff who can be funded.
- *Zero-base budgeting.* This approach requires each department to start from scratch each year, rethinking every expenditure, reexamining rationales, and looking again at budget request justifications. It forces department administrators to define criteria for baseline funding. While not recommended as an ongoing budget process, zero-base budgeting is a good way for a new person to gain understanding of the organization. Its utility in downsizing seems readily apparent: it provides understanding of each department's mandatory commitments and forces prioritization.
- *Programmatic budgeting.* This approach requires administrators to identify expenses for each program, including overhead, salaries, and direct program costs. It offers an incentive to managing space (as departments must figure in their rent allotment), prioritizing their programs and, if necessary, eliminating services on an annual basis.

Use of Debt

Prudent campus budget officers use debt to finance fee-for-service auxiliaries that have enough cash flow to service the debt, such as publications services, in-house temporary services, technical services, and dormitory construction (because room and board payments can be used to pay interest on building loans).

But beyond that, conservative campus budget officials do not recommend borrowing money to build up the campus. One institution has placed a conservative 3-percent cap on the percentage of the operating budget that can be used to pay interest on building loans. Not only that, but there is a limit on how much that debt service can rise each year, as with an adjustable home mortgage, so that debt service cannot skyrocket from 0 to 3 percent in a single year.

In establishing its policy, this institution had three priorities in mind:

1. Maintain its bond rating.
2. Allot only a tiny fraction of the operating budget to debt service.
3. Limit the annual growth of debt service.

Forecasting and Sensitivity Ratios

Even with such safeguards in place to guard against paying high interest rates, colleges and universities are wise to forecast their budgets three to five years ahead, and to calculate relationships between particular income lines and associated expense lines. For example, a projected tuition increase raises the level of financial aid needed. By calculating the relationship between tuition and financial aid, an institution can forecast how much more money it will have to find in financial aid to support the same number of students. Similarly, staff benefits models can be helpful in forecasting the rising costs of health insurance, social security, and tuition remission.

Even if the forecast paints a gloomy picture, it provides a useful tool to direct administrators how to adjust their growth to account for projected deficits. Given a picture of where they would be if they took no action at all, administrators can then determine a remedial course.

No matter what the outlook, it is clear that every college and university needs to calculate the relationships between major expense items, including: dollars per percentage point of increased tuition and dollars per percentage point of increased salary.

Understanding how budgets operate and the relationships between the numbers that compose them will go a long way to help administrators in every area figure out how to streamline their units, and ultimately, how to downsize their departments, their schools, and the institution at large.

CHAPTER

3

Effective Communication: A Two-Way Street

Good policy drives good publicity. A skilled communications officer and a well-conceived communication strategy, however, can help greatly in reduction planning, assisting the downsizing team in stating clearly the rationale behind its program, or, if none emerges, in reconsidering the approach.

Even the best communication plan cannot compensate for a hastily conceived or ill-considered program. But, given the opportunity initially, a communications officer can help managers to flesh out their plan, and press them for well-reasoned answers to the inevitable tough questions that lead up to and follow a reorganization or budget reduction announcement.

Able officers will devise a multitiered communication plan, to convey information to many constituents through a variety of vehicles. As important as informing those constituents is listening to them and responding as necessary to misinterpretation or extreme reaction to components of the reduction plan. They know that communication is a two-way street.

In one case, an observant communications officer picked up early that a hefty tuition hike was in the works, due to a number of factors including low return on endowment, declining federal funding, and a generally poor economy. The increase would abandon the institution's stated pledge to hold tuition increases to the rate of inflation plus a defined percentage. Anticipating a negative reaction, particularly from students and parents, he began to lay the groundwork that would serve as rationale for the increase.

In the end, his effective communication strategy—which included direct-mail letters to parents and briefings with student newspaper staffers—resulted in an *endorsement* of the tuition increase by the student newspaper, and several letters from parents of currently enrolled students expressing understanding and support.

Who Needs to Know?

The first question that the communications officer must address is who needs to know? In the case of institution downsizing, it is clear that members of the faculty, staff, and board—and, to a lesser degree, students and alumni—

will be interested. In the case of large institutions, or those with a major presence in their communities, the outside news media may have an interest in reporting the story. Donors might be disturbed by news of budget cuts. In each case, a communication campaign targeted toward particular groups' concerns can increase understanding, support, and—in the case of donors—possibly even contributions.

Ways to communicate with each constituency can be built around an event, such as a budget officer's speech or report, or the message can be delivered on its own merits. An example of the former took place at a West Coast institution, which built its communication plan around the provost's address to the faculty senate. Public affairs officials had reproduced the address, along with a cover letter, a summary of key points, and a question and answer sheet. Using personnel representatives from each major unit, they devised an elaborate scheme to hand-deliver a packet to every employee on-campus as the speech was in progress. Department representatives picked up enough packets for their staffs and made sure that employees received them by the appointed hour. Members of the faculty senate received their packets as they listened to the provost's speech.

Next Steps

Another case that centered on an address started the planning process earlier and took the process several steps further. In addition to the hand-distribution of packets, a training seminar readied supervisors for their employees' questions. After the announcement was delivered orally and through interdepartmental mail, public affairs and human relations representatives scheduled biweekly town meetings at various campus locations and at various times of day for a period of five months. The meetings were modeled after a TV talk show with a moderator, and any campus constituent was able to directly address the institution's top brass—usually the president or provost, a budget officer, vice president, and high-ranking manager. Hearing the message from the top had a compelling effect, but even more compelling, public affairs officials said later, was the effect on the institution's leadership. "Getting out among 'em" brought home—in a way that no report ever could—the hopes and fears of the affected rank and file.

Periodic pullout sections in the institution's weekly newspaper provided a common understanding of the problem and a rationale for proposed solutions. Numbers, graphs, and various scenarios painted a vivid picture of the institution's present and future. And frequent follow-up memos to all staff from the provost underscored and explained the critical points at benchmark junctures in the process.

Alumni, it was determined, were chiefly interested in the retention of high-quality education during the budget reduction effort, so a large number of alumni newspaper articles stressed continued excellence at the institution. In addition, the alumni speaking network, already mobilized on another institu-

tion issue, provided a vehicle for direct answers to alumni questions. When alumni club representatives met on-campus, the communications officer addressed their concerns in person.

The Special Case of the General Press

Because budget figures and statistics can be difficult for general assignment reporters to grasp, pay specific attention to press briefings, particularly for news media that shape campus constituents' opinions. Equally important, however, is to prepare the institution's leadership for the type of media they should expect: generally negative stories leading with the anticipated number of lay offs and the millions of dollars to be cut.

Given the inevitable bad press play, the question on the table becomes, what's the best we can do? Failure to deal with the outside press because of the negative nature of the story only serves as a guarantee of sensational, inaccurate, and one-sided depictions of the institution's downsizing effort. It is far better to design a media plan to safeguard for accuracy, to include a description of the humanitarian nature of the program, and to convey that the institution has developed a well-considered rationale to cover all contingencies.

A communications officer whose institution recently faced the budget axe said, "We knew, of course, what the first paragraph would be. Our focus was the breadth and texture of the second, third, and ensuing paragraphs." This institution made a conscious decision not to hold a press conference, per se, because of the adversarial edge built into a situation in which a group of reporters confronts an institution representative. Instead, the provost—designated as the main source at this school—and key budget officers who acted as his backup, were regularly available for 15-minute, one-on-one access with interested news media. In addition, the communications officer requested that the student newspaper assign two or three reporters to regularly cover the issue, so that new reporters were not starting from scratch on the story each day, but rather, a core group had basic knowledge of the budget reduction plan. He held regular background briefings for them, and for a reporter covering the story for the community weekly newspaper.

In an effort to prevent employees from being surprised by what they read in the newspapers or hear on the airwaves, institution news officers might consider posting budget-related press releases on the institution's electronic bulletin board. The effect is to communicate to campus insiders before, or at least at the same time as with the outside community.

Of course, there was the time that this process backfired. Officials at one university inadvertently posted on electronic mail a news *advisory* announcing an afternoon press briefing with the vice president for budget and finance. At the appointed hour, the room was flooded with interested staff members who had their own questions to put to the institution official. Relieved public affairs officials were happy to hear the vice president say, "As long as there's

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room, let them in. I have nothing to say today that they won't hear tonight or tomorrow [in press reports]." While unintended, this incident underscores an important lesson for communications officers: it is better to err on the side of overinforming than to risk accusations of holding back or even censoring information, which breeds employee suspicion, mistrust, and low morale.

Putting Policy into Practice

In formulating a communications strategy, aim to deliver the same message through several means:

- Public addresses
- Direct mail
- In-house publications
- Town meetings
- Donor updates
- Alumni newspapers or magazines
- Outside news media

Keep the following guiding principles in mind:

- Release information as quickly as possible to key constituents.
- Issue press releases as soon as possible after informing employees directly. Communications officers assume that once the message is delivered broadly—to staff, faculty, or students, for example—that it will soon be passed on to the general media. They also insist on issuing press releases directly to reporters to guard against incomplete or misrepresented news reports.
- Construct a system for regular, ongoing communication using a multitiered approach. For example, a series of announcements—a public address, direct mail packet, press release, town meeting, and in-house newspaper article—would follow the mandate to downsize. Another communications campaign might follow the determination of departmental reduction targets. Yet another announcement might follow the definition of outplacement services to be offered, and so on. Internally, biweekly briefings both for and by deans and vice presidents provide a useful two-way communication tool.
- Keep an ear to the ground. Schedule special meetings or communications as necessary to address special concerns on the part of faculty, staff, students, parents, alumni, donors, news reporters, and others.
- Repeat the steps. Clear and regular communication is not instinctive to the average person. Managers must be reminded, even prodded, to consider communications implications, and to get the word out about the institution's good work.

CHAPTER

4

Contracting Out: Deciding Whether to Lease or Own

Many of the auxiliary functions that support the educational mission of a college or university can be performed efficiently and cost-effectively—sometimes even *more* efficiently and *more* cost-effectively—by outside providers, rather than campus staff. Contracting out can save in employee salaries and benefits, in large-quantity purchases for multiple customers, and in reduced hands-on, day-to-day management of functions that only tangentially support the academic goals of teaching, research, and public service. These savings can free the people who work for the college or university to focus primarily on the institution's core mission.

But there are costs—both tangible and intangible—to contract an outside vendor to provide services on-campus. Campus administrators must retain responsibility to oversee the provision of a critical mass of auxiliary services, or risk losing the campus's spirit of community.

The auxiliary businesses of a college or university are many and far-reaching. The following list of service areas that could be run by outside contractors is by no means exhaustive:

- benefits administration
- billing
- bookstore
- child care
- college or university press
- computing services
- construction
- copy centers
- dining services
- faculty club
- financial management
- gardening and grounds maintenance
- janitorial services
- laundry services
- legal services

- parking and traffic enforcement
- payroll services
- police services
- public relations
- risk management
- student center or union
- temporary services

Administrators are responsible to provide these and other auxiliary services. Dormitories must provide students with meals, for example; and the campus community must be protected from crime. But the college or university administration does not have to prepare the food, or hire and train the police officers itself.

Contracting a vendor to provide a particular service can free campus administrators from worry. The vendor is an expert about a business whose primary focus is to provide that particular service. Contracting out can:

- *Ease day-to-day management loads.* Contracts give responsibility for delivery in different service areas to outside contractors.
- *Stabilize or, in some cases, increase income.* An outside retailer, for example, surely knows more about running a profitable store than a college or university administrator.
- *Control or, in some cases, reduce expenses.* Food services that run cafeterias throughout a local region can capitalize on economies of scale by buying supplies in bulk and passing along savings to customers.

But transferring the responsibility for providing services to an off-campus agent may result in: lay offs or salary reductions that diminish staff morale; changes in cost and quality of services delivered; issues of legal liability that may leave the institution susceptible; and reduced campus control, which, in turn, may erode institutional identity.

Deciding whether to contract out for services differs from one function to another, and from one campus to another. In the decision-making process, the institutional leadership must bear in mind that while service performance can be contracted out, responsibility cannot. If the food is bad, if the crime rate is high, if the bills are paid late, if the computer goes down, the student, faculty, and staff "customers" who suffer the consequences ultimately will blame the institution for the problem.

Auxiliary Versus Central Services: The Case of Contracted Teaching Services

Teaching is intentionally absent from the list of service areas for which to consider outside contractors. Teaching is not an auxiliary business of a college or university: teaching is primary to the institution's mission.

A June 1992 report on the status of non-tenure-track faculty published in *Academe* magazine found severe negative consequences to assigning substantial portions of the institution's teaching load to part-time, non-tenure-track faculty. Researchers acknowledged that part-time temporary faculty are sometimes legitimately used to meet unexpected enrollment demands, to teach a special course not ordinarily offered by regular faculty, or to develop a new program that regular faculty eventually will staff. But, overall, the researchers found that "the growth of non-tenure-track faculty erodes the size and influence of the tenured faculty and undermines the stability of the tenure system."[1]

Specifically, the study in *Academe* magazine by the American Association of University Professors (AAUP) reported:

- Risk of the quality of education when curriculum, advising, and instruction are not in the control of faculty to whom the institution has made the kinds of commitments that ensure scholarly development and recognition of performance. (Most institutions lack a process to review the performance of part-time, non-tenure-track faculty);
- Reluctance to grant tenure to teaching faculty leaves institutions vulnerable to charges that they pursue research at the expense of teaching;
- Lack of office space or basic equipment plagues part-time, non-tenure-track faculty members' efforts to prepare course materials and meet with students;
- Vulnerability of academic freedom to manipulation and suppression as more faculty agree to work without tenure;
- Status level of faculty when so many are subject to working conditions inconsistent with professional standards.[2]

In short, basic instructional responsibilities should not *depend* on faculty who are denied professional considerations and who are exempted from the evaluations that are essential to maintain academic standards. The AAUP has recommended that institutions should limit use of special appointments and part-time, non-tenure-track faculty to no more than 15 percent of the total instruction within the institution, and no more than 25 percent of the total instruction within any given department. The AAUP also recommends that institutions of higher education provide the conditions necessary to perform assigned duties in a professional manner, including appropriate office space, necessary supplies, support services, and equipment.

Contemplating the Use of Contractors

Teaching aside, there are six primary areas of responsibility to consider in deciding whether to provide auxiliary services in house or to contract with someone else to provide them:

- *Finances, including direct and indirect costs associated with the selected method.* For example, evaluating a facilities maintenance contractor's bid should include consideration of a deferred maintenance program, electrical, plumbing, and other systems upgrades, and energy costs. Similarly, intellectual property rights and fees should be considered in selecting a computing service.
- *Human resources, including effects on employees, compensation, and affirmative action objectives.* Consider the effect of contracting out dining services, housekeeping services, or grounds and gardening services—areas historically staffed with a significant percentage of minority employees—on the institution's equal opportunity employer status and on affirmative action goals.
- *Mission and culture of the institution.* The potentially conflicting goals of a bookstore operator's interest in profit, and the institutional interest to provide learning materials at the lowest reasonable cost.
- *Control and efficiency.* The ability to issue unanticipated checks quickly might be an area to explore with the institution's own accounts payable department, and with potential accounts payable contractors.
- *Service quality.* Consider turnaround time, frequency of cost overruns, and instances of multiple requests for the same repair, for example, when comparing equipment repair contract bids.
- *Legal and ethical considerations.* For example, determine who would be liable for finance charges due to a computer vendor's equipment failure that makes it impossible for the institution to issue checks; ascertain who is liable for a food poisoning incident when a contractor provides the institution's dining services; compute the cost to the institution of unrelated business income tax (UBIT) when a bookstore vendor shares profits with the institution in exchange for exclusive rights to set up shop on-campus.

Some concerns in contracting outside vendors to provide campus services include:

- *Loss of institutional control.* Contracting an outside vendor to run the campus bookstore or a campus convenience store might result in the availability for sale of products the administration considers inappropriate, such as pornographic magazines, cigarettes, alcoholic beverages, or state lottery tickets.
- *Less responsive service.* Hiring an outside company to provide office equipment repairs might result in several days' delay in response to repair calls. A busy office in need of its photocopier to duplicate and distribute a report on deadline may face the choice to pay an additional fee—either to have the machine fixed right

away or to duplicate its reports at a copy shop—or wait until the day the vendor is scheduled on-campus, miss its deadline, and suffer the associated consequences.

- *Increased cost to student and faculty "customers."* The administration may choose to raise objection, or may let market forces prevail with a campus service station vendor, for example, who charges customers—mainly students, faculty, and staff—more than the going rate for gasoline and automotive repairs. When an outside vendor of services more essential to the academic mission inflates charges, the administration may choose to take a more active position.
- *Displacement of employees.* The decision to contract out a service previously provided by campus staff may result in lay offs if the contractor is unwilling to hire the staff already involved in the operation.
- *Erosion of institutional identity.* In the case of graphic arts services, the decision to contract work from a variety of off-campus artists might diminish the instant identification of a brochure, poster, or other publication as campus-related information.
- *Lack of understanding and support for the institutional culture and mission.* A food service vendor who is not inclined to employ student workers may limit the breadth of financial aid that an institution can provide or identify. At many institutions, financial aid officers stretch their scholarship dollars by helping students find flexible work-study opportunities that will not interfere with their academic work—often in the area of food services.
- *Short-term gains offset by long-term losses.* This result is particularly noticeable in the area of building maintenance, where a vendor bidding on a five-year contract might ignore making moderately costly, major repairs on a routine rotation in order to offer the institution a low bid for services. Overlooking a deferred maintenance program can result in the expensive need to replace entire building systems over the long term.

Charting the Course: The Decision-making Process

Decisions about whether to contract outside vendors for services generally are made by committee consensus. A well-rounded committee might be composed of a financial manager, a human resources manager, a legal expert, a "customer" or two of the service considered, such as a student and a faculty member, and the current manager of the service under discussion.

Together, the committee starts its process by assessing the strengths and weaknesses of the current structure. Consider: the service's financial health; the staff involved in providing the service; and how the service fits in

with the mission and culture of the college or university. Weigh the importance of institutional control over the delivery of the service; the efficiency and quality of the service; and the legal and ethical considerations in providing the service.

With a clear picture of how the service currently is provided, the committee then brainstorms on alternative ways to meet the needs of the campus community. An important consideration in selecting a service delivery system may be to minimize disruption. Disruption of service is certainly a significant factor in the case of computing services. It may turn out that continuity of service overrides the potential pluses of interrupting the current service to convert to a new, untested one. Similarly, choosing vendors who offer services at an unbelievably low cost will almost surely result in subsequent disruption: when the initial low-bid contracts expire and the vendors discover that they must raise their rates in order to cover their own costs and generate a profit, the institution will likely consider, and may ultimately select, a new vendor, which results in a transition or downtime.

In its publication, *Contract Management or Self-Operation: A Decision-Making Guide for Higher Education*, the Council of Higher Education Management Associations suggests these 10 steps to determine whether to provide a service in house, or contract an outsider to provide it on-campus:

1. Identify key participants in the decision-making process, including committee members, focus groups of service providers, and customers.
2. Develop an analytic framework, including criteria by which to make the decision to provide services or contract an outside firm to provide them.
3. Assess the current environment, including the current service's infrastructure and its mission statement. This step could be carried out by the committee, or by a consultant.
4. Identify customer requirements.
5. Develop an operating design. If a decision is made to enlist a contractor, to whom will the contractor be responsible? In some cases, such as a retail bookstore or convenience store operation, customers will let the vendor know if the level of service is acceptable; if it is not, they can shop elsewhere. In other cases, such as computing, maintenance, or billing services, the decision to contract out may still require the institution to employ an on-site manager, a contract administrator, or a vendor liaison.
6. Identify operating alternatives, including a survey of how peer institutions provide the same or similar services, and issue a request for proposals to find out how different vendors would go about providing the same service.
7. Review legal, ethical, and community considerations, including the intangible considerations of staff morale, or the appearance of of-

fering an unfair advantage to a single vendor within the local business community.

8. Compare and contrast alternatives.
9. Select the preferred alternative.
10. Establish a continuous assessment and improvement process.[1]

Caveat Emptor: As a Buyer, Beware

Buying services from an outside vendor does not free an institution from its legal responsibility to employees. Generally speaking, customers are as responsible to a vendor's employees as to their own to provide a clean, safe workplace, to conduct fair labor practices, and to uphold an individual's civil rights and the rights to participate in union-related activities. In general, vendors are responsible for paying workers' compensation insurance; recording hours worked; recording vacation and sick time accrued and used; paying their employees; and withholding the appropriate amounts for taxes. Before entering into a contract that will bring a contractor's employees into the campus workplace, it is advisable to consult an attorney regarding coemployment issues, tax and insurance obligations, and compliance with civil rights and labor relations laws.

Coemployment arises when two or more employers may be legally obligated to the same employee or employees to provide particular working conditions and compensation packages. To ensure that an outside vendor manages all the pieces of the employment picture that the institution expects it will, spell out the obligations of both the institution and the vendor in a contract. Such situations can become murky when, for example, a college or university manager oversees the work of a temporary agency's employee. Does the manager retain the right to fire the agency's employee? Can the manager impose a schedule that requires the temporary employee to work overtime, odd hours, weekends, or holidays? Who responds to such an employee's concerns or grievances? Such issues should be clarified before work commences.

While temporary agencies and other vendors are responsible for most legal areas, the college or university ("customer") must uphold civil rights and labor laws. The customer can be held accountable for unlawfully discriminating against an outside vendor's employees. For example, a college or university manager who dismisses a vendor's employee, or refuses to permanently hire that employee on the basis of sex, race, religion, or national origin, is subject to legal action. Even though the employee technically works for the outside vendor, federal courts consistently have ruled that a customer who controls the work environment, schedules, and assignments effectively serves as an employer, and is held to the legal standards of one. It is interesting to note that even if the customer were not legally considered an employer, Title VII of the Civil Rights Act of 1964

allows law suits against those "who are neither actual nor potential direct employers of particular complainants, but who control access to such employment and who deny access by reference to invidious criteria." Customers who violate an employee's civil rights are not protected from legal responsibility just because they use an outside vendor.

On July 26, 1992, the Americans with Disabilities Act became effective for most employers. The act makes it unlawful for customers to reject a vendor's employee on the basis of a disability. In fact, it is unlawful for a vendor to comply with such an order from a customer. Although the law does not require a vendor to physically alter a customer's premises, the vendor must provide reasonable accommodations to facilitate its employees' disabilities. Although untested in the courts yet, it appears from other civil rights cases that customers, too, must reasonably accommodate the disabilities of their vendors' employees, as well as their own staff.

Just as with their own employees, institutions that lease employees on a long-term basis legally are barred from interfering in union-organizing and union-related activities. Efforts to transfer or remove employees because of their union-related activities could result in an unfair labor practice charge against both the vendor and the customer.

Similarly, the customer, not the vendor, is responsible for compliance with requirements of the Occupational Safety and Health Administration (OSHA). A vendor could only be cited for a health and safety violation if it knowingly sent an employee to an unsafe workplace.[4]

In Summary

The distinctive qualities of each different service on each different college and university campus require administrators to make case-by-case decisions on whether to contract outside vendors to provide campus services.

For each service area, weigh the pros and cons of both in-house service and contracted service. The Council of Higher Education Management Associations suggests that institutions consider the following questions in these critical areas:

Financial

- How much will it cost the institution to maintain or expand the service's operations?
- How much will it cost to provide the area with central administrative support services, such as accounting, human resources, procurement, and payroll?
- How much potential revenue has the institution forgone by using a contractor? Conversely, what levels and types of costs has the institution not had to bear as the result of contracted versus self-operated services?

- Are the revenues and expenses of the service area in line with those of other areas?

Human resources

- What is the projected growth in employee compensation, including benefits?
- Do employees have the right skills?
- Are employees receiving adequate training?
- Is the work force unionized?

Institutional mission and culture

- What are the institution's expectations for the service's performance, especially in the areas of financial position, scope and quality of services, and cost to customers?
- How would other campus employees react to the introduction of a contractor, or conversely, to a switch from vendor-provided services to self-operation?
- Do alumni come in contact with this service? What are their expectations?

Management control and efficiency

- Do the policies and procedures strike a reasonable balance between efficiency and control?
- Are the service's operations consistent with industry standards?
- Is management responsive, efficient, and effective?
- Does management work within the fiscal boundaries proscribed for them?
- Are the facilities and equipment sufficient, or do they hinder the ability to provide high-quality service, minimize costs, and maximize revenue?
- Does the service area have the necessary information systems to operate efficiently?
- What level of control does the institution need to retain?

Service quality

- Who are the customers?
- What services do customers expect?
- Are customer needs being met?
- Is the appropriate emphasis placed on customer satisfaction and quality?

Legal and ethical considerations

- What are the potential risks to the institution in operating this service?
- Are risk management costs in line?
- Does the institution need to insulate itself from all or part of the risk associated with this service?
- What is the current tax status of the service? Is the institution seeking to reduce its exposure to UBIT or property taxes?
- In providing this service on-campus, is the institution subject to allegations of unfair competition from the local business community?
- Who maintains responsibility for compliance with local, state, and federal regulations?[5]

These questions offer institutions a way to evaluate and select the best operating and management approach to provide specific auxiliary services. Whether the institution selects to self-operate, contract a vendor, or combine the two approaches, successful use of services depends on the quality of the management team, responsiveness to campus constituents' needs, and the effectiveness of the partnership among area managers, customers, and the administration.

Notes

1. "Report on the Status of Non-Tenure-Track Faculty," *Academe* (July-Aug. 1993): 39-46.
2. Ibid.
3. Goldstein, Philip J., et al, *Contract Management or Self-Operation: A Decision-Making Guide for Higher Education* (Washington, DC, The Council of Higher Education Management Association, 1993), 81-83.
4. Lenz, Edward A., *Co-employment—A Review of Customer Liability Issues in the Staffing Services Industry* (Alexandria, VA, National Association of Temporary Services, 1993), 1-13.
5. Goldstein, Philip J., et al, "Contract Management or Self-Operation," 81-83.

CHAPTER

5

Managing Benefits Costs: Maneuvering a Tight Turn

Reducing employee benefits is tantamount to across-the-board salary cuts, a university benefits manager once said. After all, a benefits package adds from 25 percent to 35 percent of the salary to an individual compensation package, and can provide the competitive edge that attracts the most promising candidates to the institution. Moreover, many items in the benefits budget are required by law. These include social security, workers' compensation, and short-term disability insurance. They cannot be eliminated. Period. Many others—such as medical, dental, and retirement programs—are expected. To eliminate them would surely cost the institution in retention and recruiting efforts. So benefits managers faced with a reduction mandate have more than a little number crunching ahead of them.

Besides the effective withdrawal from competition for the best employees, colleges and universities might be shortsighted to cut benefits. It is, in fact, cheaper for colleges and universities to buy some benefits for their employees—medical and dental coverage, for example—than to increase salaries enough for employees to buy the same benefits individually. Furthermore, an employer contribution to a retirement program ensures the institution's ability to retire an employee at some level of comfort at the appropriate age. Without such programs, colleges and universities might face a series of difficult problems associated with higher-paid employees who, at the end of their careers, lack adequate means to retire, but who have reached or surpassed average retirement age.

So, there is, admittedly, not much easy maneuverability in a benefits budget. Still, innovative and creative methods have been tried and tested to hold the bottom line, if not trim it back.

Managing Medical Insurance

In 1993, one Ivy League university attributed 56 percent of its budget deficit to growth in benefits. The chief culprit was health coverage: premiums had increased 30 percent in a single year. Skyrocketing health-care costs

and the many changes anticipated in the management of medical care nationwide have compelled some institutions to take a hard look at health care options and to change their own policies in this area. Few would question that colleges and universities need to provide health insurance options, but the hows and wherefores of the approaches can vary.

Take, for example, the institution with a tradition of providing a selection of "free" medical insurance plans to its employees, with employees paying a small out-of-pocket premium to cover their dependents. That institution recently restructured its program so that all employees would contribute something—at least 10 to 30 percent, depending on choice of plan—toward the premiums of their chosen plans.

Administrators wanted employees to be informed consumers who looked closely at the plans and costs in the health insurance system. By letting the various medical plans compete in terms of cost and service, both variables improved. The institution based its contribution on the cost of the least expensive plan. Employees were free to select a higher cost plan and pay the difference. The approach preserved consumer choice and limited the institution's liability: instead of paying the total cost of any program the employee selected, the institution paid a share of the lowest-cost plan it offered both for active employees and retirees. The change also offered employees who might be covered by a spouse's, parent's, or other plan the opportunity to waive their employer-provided medical insurance benefit, saving them *and the institution* the cost of the premium. In fact, in this particular case, 600 employees dropped their medical insurance altogether, for an institution savings of over $1 million.

Large employers might also be able to negotiate a reduction in medical insurance costs directly with primary care providers in their areas, rather than working through insurance companies. If, for example, large numbers of employees use the services of a single local clinic or hospital, an adept benefits manager may be able to negotiate a more favorable rate than the insurance company that garners savings for both the institution and the employee.

Smaller colleges and universities might benefit through health-insurance purchasing cooperatives similar to the consortiums originated in Cleveland, which combine sophisticated knowledge of the health-insurance industry with the purchasing power of many small groups to secure the best rates. By implication, medical and insurance plan administrators understand that refusal to negotiate might result in their loss of any lucrative new enrollees for the year.

Another option for small institutions is the multiple-employer trust, in which several similar employers share their collective risk and pool their premiums in a trust that pays an administrator and claims.

New insurance products, such as the Medicare Risk Plan, can reduce an institution's liability, too. Such plans allow employees to use medical providers who accept Medicare's reimbursement level as full payment. The institution still pays the insurance premium, but the lower cost of care greatly reduces claims payments.

Another new approach to health care is a structure called triple option, which offers employees the opportunity to choose from three plans each time they use medical services while providing an incentive for them to choose the lowest cost plan. For example, an employee might choose the health maintenance organization (HMO) plan for a routine physical; the employee would pay nothing out of pocket for this preventive visit. The same employee might choose the preferred provider option (PPO) to see a specialist for a particular ailment; he or she would have the choice to see any physician within the medical organization and pay only 10 percent of the medical charges after reaching a preestablished deductible. In the event that the employee wants to see a doctor outside the institution-contracted HMO or PPO, that employee would choose the most expensive private insurance option and pay 20 to 40 percent or more in addition to a substantial preset deductible.

Self-insuring Employees

Because insurance carriers charge a high premium for accepting the risk of incurring high medical expenses, a few institutions have experimented, albeit in the short term, with retaining the risk for their own employees and self-insuring against medical costs. In such cases, institutions contribute their premiums and collect employee premiums in an in-house benefits pool. They use funds from the pool to pay an outside vendor—often a health insurance company—to process and administer their employees' medical claims. But the approved claims are paid out of the pool. And over the short term, the colleges and universities and their employees have paid lower premiums than the outside insurance industry has charged.

Short-term disability provides another opportunity for self-insurance. California, for example, requires short-term disability insurance, and offers its own brand, called State Disability Insurance (SDI). One campus in the state has developed its own Voluntary Disability Insurance (VDI) plan as an alternative to the state plan. Employees legally can choose to contribute to the institution's voluntary plan, rather than the state's plan. VDI premiums are lower, and benefits paid are higher, mainly because the institution's overhead costs are lower than the state's.

Retirement Issues

Traditionally, colleges and universities have paid retirement benefits as they arose. But as of January 1, 1994, the Financial Accounting Standards Board required institutions to fund their retirement liability. Institutions of higher education now face the question of how to do that. Some of the creative options already considered include:

- Committing of lands.
- Assigning the projected retirement costs as a liability on the financial statement.

- Funding all or portions of the liability. When this funding is included in a benefits pool, this option may pass along some of the cost to the federal government by increasing the rate of reimbursement for indirect costs of sponsored research. This increase is true for institutions that conduct federally sponsored research and where the benefits pool is below a certain cap.
- Funding fully the forward liability of retirees in the year they retire, based on actuarial statistics.

Another federal law that concerns colleges and universities is the Age Discrimination in Employment Act (ADEA), which bans mandatory retirement age. The act gave institutions a short-term exemption to study the impact of the law on tenured faculty. But effective January 1, 1994, the higher education exemption expired, pushing expenses up as campus retirement contributions continue for more years or as institutions find it necessary to fund retirement incentive programs.

A congressional commission took two years to examine the issue and concluded the new law will have little impact on most institutions of higher education, but that it may have a significant impact—some estimate an additional expenditure equal to 8 to 10 percent of faculty compensation per year—on *research* institutions. The commission explained that faculty pursuing research interests and who teach advanced students tend to define themselves by their work. It also found that the demands on their professional lives are less clearly delineated than those of a teaching professor or staff member, so they are less likely to consider retirement at age 65 or 70.

Unfortunately, at least for research institutions, there does not seem to be a good solution to this financial and cultural dilemma. (It also is a productivity dilemma: most breakthrough work occurs early in a researcher's career. Allowing tenured faculty to stay on the payroll well beyond historic retirement age limits an institution's ability to hire young faculty members—including minorities and women—whose more recent education and enthusiasm reinvigorate the institution.)

Among the legal hurdles obstructing research institutions' abilities to innovatively deal with an aging faculty are that the:

- *Age Discrimination Employment Act* counters most plans that effectively reduce benefits or caps eligibility at a particular age.
- *Employee Retirement Income Security Act (ERISA)* parity requirements restrict institutions from offering one kind of incentive for faculty retirement without doing the same for staff.
- *Internal Revenue Service* taxes the present buy-out value of either a cash settlement or an annuity contribution, effectively reducing the value of such retirement incentive packages by a third or more.

In grappling with these laws, a private Midwestern university recently re-

vamped its retirement benefit contribution. The university now contributes to a faculty member's retirement plan until the amount in the retirement fund is sufficient to buy an annuity that will spin off 70 percent of that faculty member's salary each year.

This university also implemented a "window plan," in which faculty members can negotiate individual settlement packages with the university between certain ages, say, 58 to 70. This policy may be a violation of age discrimination policy, since faculty members older than the uppermost age cannot negotiate such settlements. Another danger lies in negotiating the same or similar settlements with enough individuals that the deals effectively become a plan. Still, some window plans may be legal, so long as they do not violate the spirit of the law that bans age discrimination.

Other institutions have considered capping contributions to retirement funds at a certain number of career years, say 25 or 30. But that long-term solution would do little to help institutions that face budget problems today, as professors already on the faculty are grandfathered into the present definition of tenure as guaranteed employment and benefits for life.

One creative university claimed that tenure is actually a property right to lifetime employment. The institution claimed it legally could buy the "right" back from the faculty member at a negotiated price, usually a number of years of salary. Another offered an unscheduled, full-salaried sabbatical year after which the tenured faculty member voluntarily returned to teach without tenure.

Several pieces of legislation are pending interpretations that may help research institutions out of the difficulties associated with lifelong employees:

- The Equal Employment Opportunities Commission (EEOC) is considering whether window plans are legal under ADEA.
- The Internal Revenue Service is considering a tax code interpretation that would relieve retirees from paying taxes on contributions their employers make to their annuities.
- The Labor Department is considering the interpretation of faculty settlement packages as "top-hat" plans under ERISA. A top-hat plan usually is reserved for the top three or four officials in a corporation who legally can be bought out when a board of directors decides to take a new business direction with new leadership.

Meanwhile, institutions can consider the following approaches:

- Periodic reviews of tenured faculty would allow institutions to base salary increases on merit. This procedure would provide a way for faculty members to know their value to the institution. Opponents have argued, however, that academic tenure is a safeguard of academic freedom; if it is replaced or modified, it

should be for reasons more substantial than to manage costs in compliance with an anti-age discrimination law.

- Early retirement incentives.
- Reviews of the distribution of teaching duties to ensure that they are shared equitably among faculty of all ages, with senior faculty teaching their fair share of undergraduate courses. This review better defines the "work" of a faculty member, and a defined work load may be a retirement incentive.

Reducing Retirement Liability

Regardless of the interpretations of these new federal requirements, a pertinent question is how to reduce retirement liability. One way is to redefine eligibility. For years, many colleges and universities have defined retirement eligibility as at least age 55 with at least 10 years of service at the institution. More recently, some institutions have adopted the "rule of 75," which states that age (minimum 55) plus years of service (minimum 10) must equal at least 75. Some have even suggested a "rule of 80."

Another way to limit liability is to share medical premiums with retirees, just as they are shared with active employees. A cafeteria-style benefits plan for retirees would unlock the institution's benefits liability from medical inflation. Instead of footing the entire benefits bill, the institution would provide each retiree with a set number of dollars—to be spent on any number of benefits, including health coverage. If health-insurance costs rise dramatically, the institution may choose to increase its allowance less dramatically and to share the increased burden with retirees.

Since retirement benefits are granted as compensation for career service, and since the greatest employee turnover typically occurs in the first three to four years of employment, graduated vesting may offer an attractive and fair system. This alternative suggests that colleges and universities vary support according to the employee's length of service. Institutional contributions toward retirement would increase with increased years of service. The more traditional "cliff vesting" suggests that employees who leave the institution before they are fully vested, say, at five years of service, could take with them only their own retirement fund contributions. The institution would retain its contribution until full vesting, at which time it would roll over and continue to be added to the employee's retirement account.

A defined benefits plan in which, after a full career, 40 or 50 percent of the last or highest salary is paid from retirement until death, lowers liability for the college or university because there is no regular, annual matching contribution. But such plans do not carry over from one employer to another, and since today's employees rarely spend their entire careers with one institution, this type of a plan may not be a useful retention or recruiting tool.

Other retirement reduction alternatives:

- Reduce the institution's contribution level.
- Offer an accumulated cash plan—a type of defined benefit—that annually shows the employee the cash accumulated plus an extrapolation of future retirement benefits. This plan offers a strong retention incentive.
- Limit retiree benefits eligibility to those whose appointment types would allow them to commit a major part of their career to the institution. For instance, adjunct and lecturer positions might not be included in the eligibility pool. Drawbacks to consider include loss of a competitive recruitment tool, reduced ability of an employee to build retirement income, and lack of portability of the benefit.

Human resources managers who have studied this issue advocate a combination of some vesting period with a defined contribution plan *and* a change in retirement eligibility requirements for key savings.

Other Areas for Consideration

Colleges and universities are often sought-after employers because of the "fringe" benefits they may offer: faculty club memberships that are subsidized, athletic events or performing arts tickets at discounts, a housing allowance above and beyond salary and benefits packages, and assistance with dependents' college tuition.

As attractive as these programs are, they are optional. Benefits managers might reconsider the cost versus the benefit of entertainment and recreation subsidies, housing allowances and low-interest mortgage loans, and even tuition-grant programs. For example, a benefits manager at a Midwestern university lamented the generosity of his institution's tuition-grant program, which provided full tuition reimbursement for spouses and dependent children after only a year of employment. The result was that many graduate students' spouses went to work for the university in short-term positions to finance their partners' educations, when the university intended the incentive as a reward for career service.

Because tuition rates generally rise faster than general inflation, the cost of a tuition-grant program to the benefits pool also will exceed average budget growth. Some benefits managers have suggested capping tuition benefits, or limiting annual increases in the value of tuition benefits to the rate of inflation.

It also might be possible to limit tuition-grant programs to faculty in order to remain competitive with other institutions of higher education, and to

eliminate the program on the staff side, where local industry does not compete with this benefit. The result, however, would be a greater chasm between faculty and staff, and a predictable drop in staff morale.

Balancing the Equation: Flexible Benefits

Deciding what to cut and what to keep in an equitable fashion is a benefits manager's nightmare. Benefits that are essential to a single employee—such as medical coverage—might mean little to another, who is covered through a spouse's plan. But the latter employee might depend on the tuition-grant benefit to finance a child's undergraduate education.

An answer borrowed from industry is flexible benefits, sometimes called cafeteria-style benefits. Under this plan, employees choose how they wish to use a given number of benefits credits. Benefits programs might include medical, dental, and life insurance; ancillary medical insurance; dependent-care spending accounts; and other programs. Flexible benefits give the employee greater choice and responsibility and ensure a more efficient mechanism for cost containment to the employer. Flexible plans enhance employee understanding and appreciation of their benefits' value, in some cases even permitting them to get some cash out of the plan. Moreover, they provide employers with a mechanism for cost sharing in the event that costs increase dramatically, thus limiting the institution's liability.

In the final analysis, mandatory programs required by the government must remain in the budget; medical, dental, and retirement programs, though not mandated by law, have come into such common practice that they, too, must remain. So, fringe benefits—such as recreational subsidies, housing allowances, and tuition assistance programs—must be considered in a budget reduction.

To determine what to cut, managers should seek information from constituent employees.

- Meet with faculty committees, employee roundtables, and focus groups to determine which programs are most essential to the consumers.
- Present alternatives for reduction to the groups and glean their opinions.
- Make recommendations to the college or university leadership.
- Implement final decisions determined by the leadership.

In the best of all worlds, employee benefits would remain untouched in a budget reduction plan, with the hope that reducing the number of employees would reduce the related benefits budget, thereby effecting savings. Retaining a lean, well-compensated staff seems far more prudent than demoralizing staff by slashing salaries and benefits. But in the real world of diminishing dollars and budget axes, benefits managers must consider maneuvers that will reduce or hedge against runaway expenses.

CHAPTER

6

Managing Risk: Assessing Insurance Options

Some would regard money spent to insure against loss as money thrown away if no loss is incurred. On the other hand, a premium pays off manyfold when an institution suffers catastrophic loss. Striking the appropriate balance—managing financial assets and protecting against risk—is a risk manager's primary job. Another important part of the job lies in securing administrative peace of mind through a combination of approaches that are both cost-effective and protective.

The purpose of a risk management program is twofold: (1) to make every reasonable effort to protect the health and safety of members of the campus community and the public from hazards incidental to operations and (2) to preserve and protect institutional resources against losses that arise out of any occurrence.

The methods by which risk managers achieve their mission vary, and effective risk management programs tailor combinations of the different approaches to fit an individual institution and its financial condition.

- *Prevention* is the best cost containment measure. A good example of prevention lies in retrofitting buildings for earthquake safety. Retrofitting is much less expensive than repairing the shambles a serious earthquake can cause.
- *Risk retention* suggests that risk managers budget for predictable, probable losses as a cost of doing business, rather than insuring against them. Theft protection offers an example. If an institution sustains consistent theft losses year after year, it might be wiser to build that amount into the budget than to buy insurance and go through the claims process after each incident.
- *Self-insurance* is an approach by which the institution sets aside money it would otherwise pay in premiums to guard against uninsured risks or to pay deductibles when it has purchased insurance with a high deductible.
- *Insurance* is the best approach for protection against *catastrophic*

losses, which otherwise would force the institution to change its revenue structure or suffer serious financial damage.

Some general tenets risk managers use to guide them include:

- Avoid, reduce, spread, or prevent risk, wherever possible.
- Evaluate all risks of loss and need to insure from the point of view of a single department and from a campuswide viewpoint.
- Eliminate or modify conditions that may cause risk.
- Assume risk or self-insure when the amount of loss would not have a significant impact on the institution's financial position, except:
  - —When insurance is required by law.
  - —When special services are part of the insurance contract. These might include legal defense, claims handling, and loss prevention. Note that some insurance companies are now unbundling these services from their policies so that self-insurers can take advantage of the expertise that insurance companies can provide in these areas.
  - —When the degree of risk versus the cost of insurance dictates the economic feasibility of buying insurance.
- Insure significant risks except when:
  - —Insurance is unavailable at any cost.
  - —The cost of insurance versus the risk indicates that purchase is not financially sound.
  - —The risk has been analyzed and determined to be an uninsured risk, such as war or speculative business ventures.
- Establish reserves to self-insure or cover high deductibles.

In short, effective risk managers suggest retaining risk for regular losses, insuring against catastrophic losses, and weighing market conditions to decide whether to insure against intermediate losses. This last area—protection against intermediate losses—offers a high potential for cost containment in the risk management area.

An Ounce of Prevention

There are two basic elements to loss prevention: safe environment and safe behavior. A risk manager can help engineer an environment for safety through the use of appropriate materials, systems, and processes—installation of sprinklers, for example.

Professionals in the area of human behavior might assist in behavior modification. Knowing that healthy individuals miss less work, human resource staff can design health promotion programs.

Some measures, such as accident prevention, entail both environment

and behavior. Before insuring against any loss, risk managers should lead their institutions in a serious effort toward accident prevention. Raising staff consciousness and the level of care associated with the various enterprises the institution undertakes may eliminate many risks, and, therefore, the need to insure against loss.

To start, develop a list of 5 to 10 activities that lead to risk. Then evaluate whether they can be eliminated or modified to reduce risk. Some modifications include: training the staff, developing and implementing strict standard operating procedures, and requiring the use of protective safety equipment.

Include risk managers in the earliest stages of developing new buildings, new processes, and new enterprises so they can inject prevention into the design. For example, a competent risk manager would insist on the use of nontoxic materials in construction, which eliminates an entire area of potential loss. Risk managers also can help to design work flow or floor plans that eliminate bottlenecks that can lead to employee injury.

Furthermore, risk managers can identify perilous locations, including flood zones or earthquake zones; they can point out whether public safety access is sufficient; and they can determine whether a security system intrusion alarm can protect against loss and reduce costs, to name just a few examples.

When a process or property is deemed to be too high a risk, an ounce of prevention might outweigh insurance as a cure. If, for example, a little-used university-owned property is a fire trap, or requires such a high level of maintenance to be considered safe that the cost outweighs the benefit, it might best be sold or demolished.

Other ways to eliminate the impact of risk are to require property users to defend and indemnify the institution and/or sign waivers or hold harmless agreements.

Avoiding the Premium: Retaining the Risk

Insurance costs more than retaining risk. That's because insurance companies are in business to make money, have overhead and taxes to cover, and pay their agents commissions—all in addition to paying claims. In fact, property and casualty insurance companies usually charge at least 25 percent more in premiums than they pay out in claims.

Retaining risk eliminates many of those costs of insurance. It focuses institutional attention on loss prevention and it allows for flexibility in claims administration. Investment income earned on the self-insurance reserves are retained by the institution, further reducing costs. Other reasons to retain risk include:

- It costs less than insurance.
- Insurance may be unavailable.
- The risk exceeds the available insurance limits.

- The institution wants to manage its own claims.
- The risk is not recognized by commercial insurance companies.

The downsides of retaining risk include:

- Costs vary year to year, and therefore are difficult to budget. (But market conditions also cause fluctuations in annual insurance costs.)
- Ancillary benefits, such as claims, administration, and legal defense must be arranged and managed.
- Risk retention could be disastrous without sufficient reserves.
- Risk retention at a high level may inhibit an institution's ability to take other financial risks.
- Insurance companies can provide cost stabilization by spreading risk among the many companies and institutions that buy insurance.
- Complaints about claims handling would be leveled against the institution instead of an outside insurance carrier.
- Unfunded claims may be difficult to charge to indirect cost pools.

Risk managers advocate to retain predictable losses. They advise considering how unbudgeted losses will affect the institution's overall financial condition. And they suggest that one-tenth of 1 percent of revenues represents a reasonable and conservative per-loss figure for most institutions.

Some institutions treat predictable losses as business expenses. Rather than insuring them, they either expense them, self-insure against them, self-insure and pay an insurer to provide proof of insurance—if they need such proof for the government or their contractors—or develop a cash flow plan that will cover them.

Self-insurance

When an institution decides to self-insure certain risks, it sets aside the money—as determined by professional actuaries—that it would otherwise have spent on insurance premiums and accumulate it in a pool that will pay claims should any arise. That money might come from the risk-management budget, or from subsidiary units likely to incur damage or liability, or both.

Self-insurance is often a good option to cover health insurance or professional liability. But it is not appropriate for all institutions. Those that are not large enough, that lack sufficient reserves or endowment to cover possible losses, or that lack adequate loss-prevention programs should use conventional insurance carriers.

When an institution does select a self-insurance approach, it can augment the reserve pool with commercially purchased excess catastrophe insurance. "Stop loss" coverage limits the maximum of any one claim to a particular amount. If claims exceed that maximum, the overage is covered by

the insurance carrier. This type of insurance is especially useful for smaller institutions; it provides a safety net for losses of catastrophic proportions.

The keys to successful self-insurance programs are to maintain: a written policy, adequate reserves, and the integrity of the reserves as inviolate to purposes other than the self-insurance program.

Workers' Compensation Programs

Increased levels of benefits, higher costs of medical treatment, increasingly broad definitions of work-related injury, and increased numbers of worker injury cases going to court have raised the cost of workers' compensation insurance dramatically. In the five-year period from 1988 to 1993, workers' compensation expenses rose an average of 30 percent per year in the state of California.

The National Council on Compensation estimates that workers' compensation insurance costs institutions an average of $500 per employee. This figure accounts for 2.3 percent of the 1993 payroll, up from 1.5 to 2 percent in the 1980s, and up from 1 to 1.5 percent in the 1970s. Some 80 to 90 work days are lost per 100 employees due to work-related injury or disease. The average medical claim is $6,000. The average lost wages claim amounts to $11,000 or more. Why? The National Council on Compensation says:

- Costs of medical treatment are on the rise.
- Workers' compensation claims have no deductibles or copayments.
- The definition of work-related injury has expanded in recent years to include stress and physical symptoms that result from repetitive tasks.
- Many more cases involve litigation.
- The aging work force is more prone to injury.
- Disability benefits have increased.
- Medical personnel increasingly abuse the system to recover more of their costs.
- Unions encourage employees to file claims.
- More employees seek civil action and contest their claims awards as insufficient.

The number one cost control measure institutions can implement is prevention. Safety programs can significantly reduce the incidence and severity of accidents. Analyzing claims to determine their causes and sources can lead to environmental improvements, including: process modification, materials substitution, ventilation, maintenance, and use of protective safety equipment.

Moreover, education and training, better supervision and employee screening, and well-defined standard operating procedures can help workers to act

in their own safety interests. Specifically, administrators interested in preventing accidents and the resulting claims against the institution can:

- Increase emphasis on loss prevention.
- Clarify the purposes of safety committees.
- Develop safety checklists for new employees.
- Document employee training history.
- Train and retrain supervisors every two years in safety techniques.

To keep medical costs to a minimum:

- Audit bills and require usage reviews. These two simple measures can save 15 to 20 percent of medical costs.
- Hire professional medical consultants to provide case management for the claims administrator.
- Review physician practice patterns, such as whether unnecessary tests are ordered routinely.
- Develop preferred provider contracts.

Developing a self-insurance program for workers' compensation claims saves the money that otherwise would fund insurance company profit, overhead, charges for rating boards and bureaus, taxes, and policy administration. These costs generally comprise 10 percent of the standard premium. In addition, colleges and universities can achieve additional savings through the investment income their self-insurance reserves earn, as the institution retains funds until the claims are fully paid. These savings, averaging 15 to 25 percent, allow an institution to stay ahead of the game, even if their states require them to buy surety bonds that show proof of workers' compensation coverage.

Self-insurance programs lower the institution's premium, allow the institution to retain direct control of claims, and allow for follow-up case management.

Other programs risk managers advise in the area of workers' compensation include:

- Vocational rehabilitation, in which injured workers return to the workplace as soon as possible, sometimes on modified schedules or on light duty.
- Systematic oversight of cases that go to court, which can save 30 percent of legal costs.
- Claims administration and payment audits.
- Preemployment screening to identify those with a history of frequent injury claims.

Risk managers also recommend setting institutionwide performance goals.

A one-year goal might be to hold steady the level of workers' compensation claims. A two-year goal might be to reduce claims by 5 or 10 percent. Tracking key indicators of workers' compensation claims helps managers to benchmark their progress. Some key indicators to monitor quarterly include:

- Medical-only claims
- Costs incurred and paid in benefits
- Incidence of recordable cases
- Incidence of cases in which work days were lost
- Total work days lost
- Frequency of injuries
- Types of injuries

Encourage supervisors to be accountable for the workers' compensation claims in their areas. Some methods to increase accountability include charging workers' compensation expenses to the budgets of the departments that incur the claims; including a supervisor's success in meeting safety goals as part of the performance review; and focusing attention on individual departments' successes in the area of safety, and publicizing their methods.

Putting Policy into Practice

In order to adequately assess the risks an institution faces and then to protect against them, a risk manager must first identify risk. Some categories include:

- Physical damage to property
- Loss of income due to property damage
- Loss of assets due to responsibility for damage to others
- Losses through fraud or crime
- Employee death or disability

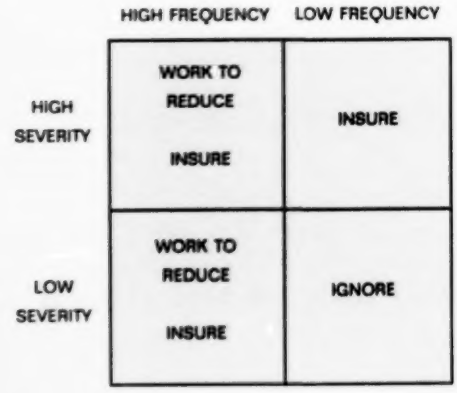
The specific types of risk are many and far-reaching, including:

- Property damage or destruction
- Auto liability
- General liability
- Personal injury
- Bodily injury
- Governing board risks
- Biohazards
- Hazardous waste programs
- Carcinogens and harmful substances
- Boiler and machinery
- Workers' compensation

- Fiduciary and employee benefits liability
- Business interruption
- Replacement of papers and records
- Loss of revenue due to strikes, boycotts, or other disruptions
- Patent infringement
- Judgments for damages
- Medical care for volunteer research subjects

Once risk managers have assessed their institutions' risks, they should measure the severity, frequency, predictability, and probability of each.

The graph below provides an evaluation tool:



The risk manager also must know and annually update the value of the institution's buildings and their contents, the history of loss at the institution, and the actuarial chance of loss.

Annual evaluations of what can go wrong, how often and to what extent things go wrong, and whether the resulting losses will impair the pursuit of the institution's goals will serve a risk manager well in striking the balance between retained risk, premium expenditures, and peace of mind.

CHAPTER

7

Reduction Alternatives: A Multiforked Road

Once a decision to downsize has been reached, managers must begin the arduous task of determining how much and at what cost in severance payments and in institutional productivity the staff should be reduced.

Administrators should have anticipated the need to downsize well in advance of implementing policies. They should have recruited unique and sometimes untraditional leaders to help develop and implement cost-saving measures at the operational level.

Now they must define and implement ethical staff reduction approaches that conform to the institutional culture and allow the organization to retain its quality and vitality—no small task.

Getting Started

Alternatives for reducing the work force abound, and early planning sessions might allow implementation managers to brainstorm possibilities that would work well in their units. Suggestions should be ranked by criteria that include:

- Conformity to the institution's culture
- Savings potential
- Cost-benefit analysis
- Short-term vs. long-term savings
- Effect on employee morale
- Retention of quality staff

In addition to these criteria, the following recommendations are based on findings in a 1985 study of reduction and reallocation efforts at Big Ten universities:

- *Take a realistic approach to economic expectations and levels of demand in education, research, and service.* Ratios of clerical

The authors would like to thank Jonathan B. Lovell and Janice A. Keefe of Smith College for their insight into the case study that appears in this chapter.

support staff to teaching faculty may range from 1:5 to 1:7, while in complex research or laboratory situations a ratio of 1:2 or 1:3 may be more realistic.

- *Finalize and communicate policies, program priority criteria, and formal strategy for reduction.* Faculty and staff who operate in the dark often bear unnecessary fears and frustrations that debilitate their effectiveness.
- *Analyze the rationale for current staffing levels, and **plan** changes in faculty/staff ratios.* Ignore ratios of faculty to staff on sponsored research, grants, and contracts; focus on the ratio of tenured and tenure-line faculty to regular operating staff. If your campus ratio of these faculty to staff is 1:3, why? 1:5, why? How has it changed over time; what is the ratio of your finest competitor; why?
- *Identify institution philosophy regarding centralized vs. decentralized decision making, and programmatic vs. across-the-board staff cuts.* Published and documented experience indicate best results from decentralized decision making and programmatic reduction. Centralized views of explicit cuts to be made at unit levels cannot be as accurate as the decisions that will be made by decentralized managers who are most knowledgeable of local capacity and faculty and staff needs for service. It is a matter of good business practice and respect that these managers should be asked to present their best reduction plans. Unit reduction plans, however, remain subject to administrative review.
- *Use long-term approaches to retain productivity, morale, and staff commitment.* Large-scale lay off, for instance, immediately stanches financial drain. With 10 to 15 percent turnover, however, a long-term strategy of attrition management achieves the same long-term financial goal while it preserves more commitment and mutual employer-employee commitment.
- *Assist displaced employees through early notice; priority consideration in posted vacancies; and retraining and outplacement programs.* State outright the institution's commitment to its mission and people. While lay offs cannot entirely be avoided, they can be managed to the lowest possible frequency. Publicize the facts. At Stanford, an early retirement strategy yielded the desired position reduction and at the same time resulted in the fewest lay offs in three years.
- *Encourage creativity and flexibility in options for achieving reduction.* Again, at Stanford, employees in the Stores department opened a discount store for employees that increased university employee satisfaction and income. Notre Dame Print Shop employees became marketers for their own service and made the printing business a break-even proposition, which saved their own jobs.

- *Cut beyond the needed amount, and reroute the surplus into priority programs.* The real sense of vitality and investment in the future is critical to a community sense of direction and hope.
- *Formally evaluate results for future planning purposes.* In the early 1980s only the University of Michigan (among the Big Ten) talked about the critical need to reevaluate and continuously reallocate its mature, stable, nongrowing budget. The flat budgets that characterized higher education in the early 1990s proved that ongoing reduction and reallocation are essential for colleges and universities.[1]

How to Manage in Time of Crisis

Altered funding patterns, potential program cuts, and possible lay offs cause competition uncharacteristic of a fully funded workplace. The resulting stress not only increases conflict, but also interferes with otherwise effective administrative systems and processes.[2]

Effective managers will recognize the negative cycle and do something to stop it. Planning, cooperation, and involvement allow affected individuals to contribute to the process of redirecting resources while retaining the special qualities they perceive their institutions to possess.

Skills for managing reduction are different, and often more difficult, from the skills required for growth. Yet few managers are prepared specifically to plan and administer cutbacks, and since institution downsizing is a fairly recent phenomenon, few courses are available in managing crisis or decline in higher education. Still, a few key points are clear:

- *Managers need to recognize and accept economic reality, and to plan during nonthreatening growth periods for possible future reduction.* Changes in full-time faculty-staff ratios and salary ratios; percent growth of salary; staffing contingency and benefit costs; and cost of services provided must be measured annually against contribution to mission to minimize financial crisis.
- *The setting for crisis planning should be as nonthreatening as possible to participants.* Big Ten and, more recently, Stanford's reductions illustrated that external committees and governing board or executive directives squelch local units' confidence and sense of control.
- *Attention should be given to create an atmosphere of openness, cooperation, and contribution.* All units—academic and nonacademic—sharing the pain reduces the chasm between the protected and unprotected employees. For example, a small-percentage, across-the-board cut supported by additional cuts that vary by unit can be effective, particularly when the units that contribute to the solution are publicly lauded rather than castigated.

- *Planning should concentrate on outcomes that focus on quality, innovation, real reduction and revitalization of central programs and strengths.* Managers should avoid unrealistic plans based on overly hopeful estimates of increasing income.

What's Fair?

A couple of basic approaches must be determined before work begins. One is whether cuts will be decided in a centralized or decentralized fashion; the other is whether cuts will be made across the board, or whether priorities will be established.

Studies and experience indicate that decentralized, prioritized cuts are most effective, with some central administrative policies guiding the decision-making process. For example, reduction goals and policies should be set centrally to reduce fragmented approaches and disregard for the total effect. Assistance should be offered and a review completed by an office or committee with an overview of campus employment policy, practices, and patterns in mind.

But beyond such oversight, centralized decision making can create an atmosphere of dissension and unrest, which makes it difficult to achieve the desired results. No centralized body is familiar enough with unit work to downsize individual departments effectively. Decentralized decision making led by deans, directors, and department heads ensures support and implementation for the plan with a higher level of faculty comfort.

Moreover, in the institution setting, all programs are not created equal. Restricting growth in all programs through across-the-board cuts saps the institution's strengths: programs peripheral to the institution's mission are more expendable than those that contribute to it.

A 1985 study of downsizing at Big Ten universities elicited this advice from administrators:

- *Establish priorities based on mission.* Discussion and published declarations from the president, provost, and deans help the college or university community to focus its reduction plan and hopes for the future.
- *Gather information from deans, directors, and department heads.* A centrally designed set of questions about how to reduce allows each area to consider equally how best to approach reduction, and provides a vehicle to share ideas.
- *Evaluate all new and current programs for reduction.* Enlist a subset of deans, academic and executive leadership, and budget officers to review and consolidate ideas and issue a comprehensive report so that managers charged with making the cuts will begin the process with the same information and guidelines.
- *Implement early retirement incentives and programs.* Offering reasonable opportunities for faculty and staff to choose to leave the

college or university makes the separation a positive, rather than negative, experience.

- *Use less than 12-month appointments.* This approach reduces salary and benefits commitments and, at the same time, satisfies the needs and preferences of individuals with different schedules.
- *Limit benefit participation and benefit growth.* The first priority must be to retain full benefits for full-time employees committed to their careers. Beyond that, benefits may have to be curtailed because benefit budgets outpace the generally accepted guideline to increase staff size and salary by no more than 5 percent each year.
- *Avoid permanent lay off of individuals; use reallocated attrition instead.* A commitment to retraining, mobility, and transferable skills keeps the silent contract of trust intact.
- *Consider short-term lay off and deferred maintenance.* Using furlough or voluntary, short unpaid time off retains job permanency and offers employees an attractive alternative. Surveys show that after salary and benefits, time off is an employees' most valued incentive.
- *Establish an outplacement service.* Internal resume and search advice, and employer-paid contracts with external placement agencies convey a commitment to current staff.
- *Retrain and move staff to other positions.* Use internal training and funds for tuition to retain skilled and knowledgeable staff.
- *Plan for permanent reductions at the department level.* Lay offs or position reduction must be the decision of the local manager alone. No other person in the organization knows better where the reductions can be taken without major disruption to the organization.
- *Allow unit freedom within campus guidelines.* Do not oversee the day-to-day management of reduction. Instead, measure progress quarterly, look at the budget balance, and do not manage *how* the bottom line is attained. Managers must be held accountable.
- *Consolidate.* Gather similar services or units together and broaden a manager's scope. This approach reduces supervisory costs and increases accountability.
- *Mechanize, automate, and apply technology.* Look for unrewarding, repetitive functions appropriate to systematize. This approach reduces unrewarding employee effort and increases the potential for an employee to make a greater contribution.

The Big Ten administrators also advised *avoiding*:

- *Totally centralized decision making.* It discourages, devalues, and leaves unaccountable line managers.
- *Continuation of unaffordable benefits.* Priorities must be set in favor of full-time and part-time continuous, career-oriented faculty and staff.

- *Short-term closure.* Closure does not contribute to the mission. The exception might be holiday closure, where employees are part of the recommending body.
- *Short-term, widespread lay offs.* The silent employment contract is broken and the mission is not served.
- *Lay off by seniority.* Last-in, first-out does not serve the purposes of high performance, wholesale retention, or affirmative action.
- *Reduction in hours.* The work that needs to get done must be the deciding factor.
- *Reduction in salaries.* The most competitive faculty and staff will be subject to competitor raid. Salary competitiveness will be lost and the "contract" will be perceived as broken. In instances where this approach has been tried, it has been effective for only one year. A subsequent year of salary reduction or increase deferral has resulted in brain drain and injury to the institution's reputation.[3]

Training for the Task

When Stanford University faced substantial budget cuts in 1991, its managers were trained for the task, and provided a salary and benefit cost reduction management guide put together by a committee of unit managers and representatives of the Office of Human Resources.

The guide started with some assumptions: that cost reduction actions be consistent with Stanford's academic mission and goals; that reductions of staff or work hours be achieved by prioritizing programs and services and eliminating redundancies; that management and staff be included in the process; that personnel practices be fair and consistent across the university; that attention be given to preserving the institution's ethnic diversity; and that managers analyze cost reduction actions for potential employee-relations and legal consequences.

The guide outlined the pros and cons, in table format, for various cost-reduction actions that ranged from eliminating entire service areas, to early retirement packages, hiring freezes, lay offs, and work-hour reductions.

These materials helped managers unfamiliar with downsizing policies and procedures to review the many alternatives at their disposal, and to evaluate which might work best in their units. Management orientation seminars encouraged flexibility and creativity in their streamlining effort, and offered central support when questions or concerns arose.

By defining institutional commitments and assumptions in the beginning, unit managers get a clear idea of expectations, even if they have not been through a reduction process. Cost-cutting alternatives are shared and ranked for effectiveness, and managers are trained to implement the resulting, agreed-upon approaches as appropriate to their units. Finally, a centralized system of support that includes training, reporting, and evaluation ensures a smooth and thoughtful process that will serve the institution well for the long term.

Speeding Attrition to Achieve the Target

If lay offs are the least attractive option to reduce the payroll, early retirement packages may be the ticket to placing both employer and employee in the "win" column.

Estimating the cost of offering an early retirement program is a complex procedure because of the number of variables and assumptions made. In addition to estimating what proportion of eligible employees will take advantage of the program, it is wise to try to determine at the beginning which faculty and staff members are most likely to subscribe. Will the subscribing pool of early retirees be older or not much older? Higher paid or lower paid? Replaced or not replaced? The net cost of an early retirement program can be figured by:

VALUE OF BENEFITS - RETIREES' SALARIES + REPLACEMENT HIRES' SALARIES

Initial costs associated with early retirement programs or "buy-outs" can often be recovered over time, either by refraining from filling a vacancy, or by replacement with an employee with lower immediate salary potential. In the institution setting, a new teaching employee might be hired for only the nine months of the academic year to replace a retiring faculty member who worked year-round. Similar seasonal arrangements are sometimes foreseen in staffing academic support areas.

Smith College: A Case Study in Staff Reduction

In 1991, Smith College looked at a possible 90 lay offs in administrative, clerical, and service jobs. Working with its board of trustees, the college devised a generous voluntary separation plan financed with unrestricted endowment funds to entice employees to vacate their positions. Its primary purpose was to avoid lay offs. Though expensive, the plan was expected to pay for itself in just three years through savings from eliminated positions. Smith offered the plan to nonfaculty staff at least 40 years old with at least 10 years of service at Smith.

At the same time, a less generous plan was constructed for involuntary separation, with the hope that employees—whether facing possible termination or not—would choose the former, thus minimizing the need for lay offs, diminishing damage to morale, and limiting personal anguish. While few of those notified that they were in positions targeted for elimination were eligible for the voluntary plan, managers hoped that others would subscribe, thereby creating vacancies to which lay-off candidates could be transferred.

It was not easy for managers trained in cost control to design a dream package, and task force members had to remind themselves to be generous. But in the end, they came up with a liberal and attractive package in which 36 percent of eligible employees enrolled. It was composed of:

- *Basic payment.* Twenty-six weeks of pay under the voluntary separation plan; 13 weeks under lay off.
- *Years of service pay.* In addition to the basic payment, two weeks of pay for each year of service under the voluntary plan and one week for each year of service under lay-off conditions.
- *Maximum payment.* By law, the basic payment and years-of-service pay combined could not exceed 104 weeks of pay. Several employees with 39 or more years of service received the maximum under the voluntary plan. A typical employee with 13 years of service received 52 weeks of pay under the voluntary plan or 26 weeks under lay-off conditions. A minimum of 10 years of service was required for eligibility in the voluntary plan, which produced a minimum payment of 46 weeks of pay. The minimum under lay-off conditions was 13 weeks of pay for an employee with less than one year of service.
- *Other pay.* Employees also were paid for accumulated vacation, sick leave, and compensatory time.
- *Retirement plan contributions.* The college made its normal contribution to the defined-contribution retirement plan on all payments, a minimum of 9 percent.
- *Health and dental insurance.* Under both plans, continued participation for one year after separation was offered, with the college contributing 100 percent of its normal premium payment. Those at least 55 under the voluntary plan or 62 under lay-off conditions were given further coverage until Medicare eligibility, with the college paying half its usual contribution. Younger employees were eligible for up to 18 months coverage after the first year, at their own cost. *Many employees, especially those 55 and older, confirmed that extended coverage was a major factor in the decision to elect voluntary separation.*
- *Tuition benefits.* Tuition-assistance benefits continued for one semester under lay-off conditions. The voluntary plan offered at least one year and allowed the completion of educational programs for employees, children, and spouses already enrolled at Smith.
- *Counseling.* The Career Development Office offered extensive counseling, resume preparation, and job-search services. Those accepting voluntary separation were granted up to $100 in reimbursement for tax and financial counseling by a qualified independent adviser.
- *Other benefits.* Those participating in the college's second mortgage plan or living in college housing were given a year to pay off or vacate. Those 62 or older were offered retiree identification cards and all were encouraged to continue participation in college events.
- *Taxation.* All payments were subject to withholding under IRS regulations.

The administration was able to provide full and accurate information to staff before any announcement appeared in the media. Packets were mailed to employee homes on a Monday, duplicate sets were distributed in the office on Tuesday, and the same material was published in the campus newspaper on Wednesday.

Department heads were briefed on the particulars of the plan and given a question-and-answer sheet prepared by the college's labor lawyer. In addition, the college sponsored two all-day informational workshops for employees and their spouses considering voluntary separation. Almost half the staff eligible for voluntary separation attended a workshop, and 59 percent of those (105) elected voluntary separation. Another 25 employees subscribed to the program without attending a workshop.

The eight-week window in which employees had to make a life-changing decision was charged with emotion. Some eligible staff in departments targeted to lose positions reported subtle and not-so-subtle pressure from colleagues to take the package so that jobs could be saved for others. Some who elected to take the program adopted short-timer attitudes toward work before their departure. Many of those who were not eligible worried that added work would be dumped on them and mourned the impending loss of old friends.

Reactions of eligible employees varied, too, from those who felt forced to make a decision they were not ready to face, to those who said they felt like they had won the lottery.

In the end 130 employees elected voluntary separation at a cost of $5.7 million to Smith College—almost $44,000 per participant. Savings on the positions eliminated were expected to compensate for the cost in just over two years.[4]

Notes

1. Butterfield, Barbara, *Reduction of Academic Support Staff in Selected Major Midwestern Universities, 1978-1983* (Ann Arbor, MI: University Microfilms, 1986).
2. Levine, Charles H., "More on Cutback Management: Hard Questions for Hard Times," *Public Administration Review* 39, (Mar.-Apr. 1979): 179-83.
3. Butterfield, Barbara, "Reduction of Academic Support Staff."
4. The material for this case study was drawn from an article entitled, "Right Size, Right Way," by Jonathan B. Lovell and Janice A. Keefe of Smith College. The article was first published in the June 1992 issue of *The Business Officer*, the monthly magazine of the National Association of College and University Business Officers.

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CHAPTER

8

Programs and Policies: Yielding the Right of Way to Laid-off Staff

While laying off staff may provide big-ticket savings in a budget reduction, it is among the least pleasant alternatives for all concerned. That is why it is so important to develop policies and programs that support retention and fair treatment. Without them, inconsistent behavior by decentralized managers can result in low morale, unfair treatment, and even lawsuits.

This chapter will offer examples of policy guidelines and placement programs that have been implemented at various colleges and universities. Although each campus culture differs and each approaches budget reduction differently, these elements are critical:

- Clearly define permanent lay off.
- Set a written policy on selection of employees for permanent lay off.
- Create programs to assist those laid off in finding new jobs.
- Communicate definitions, policies, and outplacement program descriptions to line managers making and implementing lay-off decisions.

Most institutions can agree on the general definition of lay off:

> A permanent lay off is the separation of a regular staff employee who has completed the probationary period, when, in the judgment of the institution, a reduction of the work force or of a particular kind of work is necessary within an administrative unit or work group.

A lay off is *not* dismissal for cause (such as incompetence or insubordination). Lay offs must not be used to alter the ethnic mix of a unit or to get rid of "problem" employees.

It is management's purview to determine which units to reduce by lay off and which job classifications or functions to eliminate. These decisions are not subject to grievance procedure because they are not individual determinations.

Rather, they are modifications in the direction of the institution and the way it gets its work done.

In setting priorities for who will be subject to lay off, consider these options:

- Match current and prospective operational requirements with employees' skills, abilities, and levels of competence.
- Reduce trial-period and probationary employees (those who have been on the job less than six months) before other employees selected for lay off.
- Remember length of continuous employment and affirmative action commitments in selecting employees for lay off, reassignment, or retention when skills, abilities, and competence of employees are deemed to be substantially equal.

Most institutions give employees written notice of dismissal at least 30 days before the date of termination. Alternatively, some institutional policies offer supervisors the option to pay the employee in lieu of notice, and immediately free the employee from work to pursue a new position. Some institutions allow lay offs to be rescinded during the notice period if circumstances develop that allow an employee to be retained or offered reassignment.

Within a bargaining unit, it is standard practice for the college or university to notify the union, as well as the employee, of impending permanent lay off. One research university includes a special policy for the lay off of research associates when their programs come to a close: its policy requires at least three months' notice of termination.

In all cases, supervisors should strive to retain employees wherever possible, by offering reassignment within the department, transfer to comparable positions in other offices they oversee, or recommendation to other supervisors who may have appropriate job vacancies.

Minimize the Negative

Involuntary lay offs lower morale and disrupt the lives of affected employees. In an effort to minimize such effects, one innovative university implemented an experimental, voluntary furlough program to afford employees the latitude to forge arrangements that would serve their personal interests as well as the institution's financial concerns.

From the outset, the two-year program was defined as voluntary. Supervisors were specifically prohibited from encouraging or coercing employees to take advantage of the furlough options. By the same token, managers were under no obligation to grant furlough requests that disrupted the flow of their offices' work. They were, however, required to report furlough arrangements they approved to the employee relations manager for statistical purposes. Employees who volunteered for furloughs were not exempt from lay off.

Furloughs can take many shapes, including:

- Reduction in hours: A full-time employee, subject to approval by the appropriate manager, might reduce his or her work week from five days to four, saving a department 20 percent Full Time Equivalent (40 hours a week, or FTE). Other configurations could also be approved, allowing both full-time and part-time employees to reduce their schedules and salaries. Generally, approvals should be limited to a period of no more than one quarter, after which time the employee and supervisor can evaluate the success of the experiment and consider extending the furlough. *It is important that institutions considering this type of program also develop policies regarding benefits contributions, and that supervisors explain the FTE thresholds at which benefits are affected.*
- Pay period off: Subject to approval of the appropriate manager, an employee can elect to take one full pay period off, without salary. Payments stop, relieving the employee's department of its obligation for salary and benefit surcharges during the furlough period. For morale reasons, this option is not recommended more than two or three times in an academic year.
- Other: Again, subject to approval of the appropriate manager, an employee may configure his or her own schedule of uncompensated time away from work. Managers should be encouraged to consider furlough proposals regardless of whether they conform to the models offered earlier. When an administrative employee at a state university in the Midwest requested summers off, without pay, the supervisor granted a nine-month appointment because the workload was substantially lower when school was not in session. If granted, equitable alterations to benefits schedules and accruals should be developed fairly and delineated clearly.

Retrain to Retain

When lay off of a valued employee appears inevitable, consider the "transferability" of the individual's skills. Sometimes, with moderate retraining, the employee can be successful in a new position, either within the same department or within the institution.

One university was able to garner onetime money to create a retraining fund that would reinforce the institutional commitment to assist in the placement of employees identified for lay off. To be eligible to use retraining fund monies, the staff person had to be identified as holding a position approved for elimination. In addition, supervisors had to identify a specific position within the employee's current school or vice presidential area in which the employee would be placed upon successful completion of an identified training program, and

the dean or vice president had to agree to pay at least half of the cost of the training program. If a new position was identified in another school or vice presidential area, then that school or vice presidential area could share in the retraining costs.

Giving Inside Candidates First Crack

Hiring freezes, combined with attrition, are another way that colleges and universities can try to minimize the deleterious effects of lay offs.

Guidelines are necessary because some vacated positions must be filled quickly to give students adequate support or to continue the progress of research. Moreover, some of those positions are so specialized that only an outside candidate could fill them.

To ensure that inside candidates have first crack at the vacated jobs that must be filled, some human resource groups have required additional paperwork when a hiring freeze is in effect. Supervisors seeking to hire must explain in writing why the position must be filled. A second memorandum must describe the efforts made to consider all lay-off candidates who might be qualified for the position, and, if an outside candidate is selected, why an internal candidate was not hired for the job. Only when the paperwork is complete would the human resources manager calculate and provide salary approval for the finalist, without which, of course, no employment offer can be extended.

Another way to ensure that inside candidates have the first opportunity at new jobs is to implement a policy giving hiring preference to lay-off candidates, and to list some vacancies as available to internal candidates only. In addition to making every effort to reemploy valued staff members, the former suggestion also takes away the stigma on the laid off employee, supporting the definition of lay off as a termination for reasons related to elimination of work units or tasks, and not firing for cause. Extending them hiring preference tells laid off employees that, despite the elimination of their jobs, the institution considers them valuable and desirable staff members.

Employees who have been laid off and have not found other work within the institution should still be considered internal candidates for some specified length of time—a year is not uncommon.

No-fault Trials

All kinds of glitches come up in the job-seeking process, and strong institutions will respect and safeguard against the risks associated with employees taking new work: differing work styles, personality mismatches, and miscommunication about the nature of the work itself. Chief among the employees' risks is the loss of hiring preference if a new position within the institution does not work out. Consider implementing a six-month trial period, during which time employer and employee can try out the new ar-

rangement. If the new job does not satisfy both their needs, the employee can revert to lay-off status, including eligibility for any hiring preference and outplacement services the institution offers. This flexibility would be limited to one or two opportunities.

Although this is a no-fault system, supervisors still must document the job-related cause of termination if they decide to end employment. Such termination, which puts the employee back on lay-off status, is not, however, subject to grievance procedures.

While few employees need to take advantage of this option (because most new placements work to both parties' satisfaction!), one institution with such a program reported that more than 30 percent of the staff members whose no-fault trial did not work out ultimately found new internal employment. Before the option was offered, only 10 percent were placed in campus jobs.

Communicating the Lay-off Message

Even with policies that try to ensure fairness in determining which positions to eliminate and that strive to reemploy those who lose their jobs, managers almost universally dread the day they have to let an employee go. Communicating the lay-off message is one of the hardest challenges a supervisor faces.

One institution created a workshop to help supervisors understand the guidelines for making lay-off decisions, and to offer effective communication techniques. In the workshop, supervisors learned that the purpose of a lay-off meeting is to inform the employee—in a sensitive, straightforward manner—that his or her job is being eliminated. A secondary, but perhaps even more critical, purpose is to offer encouragement and support as the employee begins the transition to new employment.

Effectively communicating the lay-off decision ultimately will ease trauma and difficulty for the employee. Straightforward communication will reduce tensions between the supervisor and the employee during and after the meeting, and will minimize problems for the institution. In the meeting, the employee will learn about resources the institution can make available to him or her and will be encouraged to take positive action during the transition period before the termination date.

This institution's workshop advised supervisors to:

- Become familiar with the written lay-off policy and related information.
- Consider length of notice.
- Rehearse what to say, how to say it, and in what sequence.
- Anticipate a variety of reactions and prepare appropriate responses.
- Schedule enough time to deal with all the issues, including unforeseen reactions, but brief enough not to belabor bad news (15 to 30 minutes is suggested).

- Select a private place, preferably away from the employee's immediate work area.
- Call the employee in just before the meeting, rather than leaving a long lag time between scheduling and holding the meeting. If several employees are to be notified, schedule the appointments in close succession.
- Choose a time close to the end of the work day to communicate the lay off. This timing will enable the employee to leave easily and to internalize the news privately.
- Eliminate telephone calls and other interruptions during the meeting.

The following steps were suggested for the lay-off meeting itself:

- Assure the employee's physical comfort.
- Set the stage for what you are about to convey. Offer a brief background of the downsizing plan, its time frame, and effects.
- Define the lay off.
- Review the lay-off information with the employee.
- Listen with empathy.
- Offer support.
- Discuss the transition.
- Provide the employee with a packet of information regarding placement at the institution.
- End the meeting once its objectives have been accomplished. Pursue personal objectives, such as farewell gestures, at another time.

Reaction to the lay-off message can vary from withdrawal to denial to sobbing to rage. Be prepared.

If crying occurs:

- Offer tissues.
- Permit the employee the time to be alone to cry, if needed.
- Be supportive, but refrain from touching the employee.
- Be patient.

If anger occurs:

- Listen. Anger is a normal response.
- Respond to verbal attacks assertively.
- Remain calm.
- Do not engage in discussion of the merits of the lay off. State that the decision point has passed. Do not discuss employee performance issues.

If silence occurs:

- Acknowledge the employee's feelings.
- Allow the employee to discuss feelings. Be empathetic.
- Ask open-ended questions to determine that the employee understands the lay-off message.

If denial occurs:

- Repeat or rephrase statements.
- Ask open-ended questions to determine whether the employee understands the lay-off message.

If manipulation such as offers of changed behavior in exchange for reconsideration of the lay-off decision occurs:

- Remain calm.
- Stick to the facts.
- Repeat the finality of the decision.
- Do not waver or allude to attempts to change the decision.

If threats occur:

- Ask the employee if he or she understands the seriousness of his or her words.
- Suggest a brief cool down period, and then reconvene.
- Possibly contact Employee Relations for guidance and/or the police for protection.

If the employee loses control:

- Keep the employee in the office.
- Call Employee Relations for guidance and/or the police for protection.

Supervisors must also communicate the lay-off action—and its subsequent effects on work flow—to employees who remain on the job, because the remaining employees are affected indirectly.

Again, it is a good idea to rehearse the message before you deliver it. Be tactful, direct, and clear in explaining the circumstances that led up to the decision, the decision-making process, and the changes within the organization. Offer employees the opportunity to ask questions.

On the last day of employment, a responsible supervisor must obtain the employee's identification card, business credit cards, keys, tools, equipment, and institution-owned clothing, such as uniforms or rain gear. In addition, the supervisor must make sure that the employee leaves all institution

reference materials in the office and returns portable computers and other office equipment.

The supervisor or staff affairs officer must cancel the employee's computer access authority, cancel telephone access codes, cancel any signature authorities for petty cash or vendor credit, and verify that expense report balances equal zero.

Services for Affected Staff

Planning an extensive array of outplacement services will not soften the blow of termination, but once laid-off employees accept their own responsibility to move ahead to seek new work, they may use and appreciate such programs. Offering outplacement support also will send a strong message to staff members who remain: the employer is a caring and humanitarian institution that provides resources to those it must ultimately terminate for purely business reasons. So, in planning the budget reduction, it might be worth budgeting some onetime funding—for computer equipment, additional staff, and supplies for workshops and seminars—to support outplacement services for employees.

In addition to giving hiring preference to laid-off staff, some other services to consider providing include:

- One-hour orientation sessions that offer an overview of the services available and an opportunity for employees to share their career concerns, needs, and interests.
- Counseling center workshops and presentations that cover topics such as stress; communicate with family, friends, and coworkers; and self-esteem and empowerment. These sessions might be weekly at lunchtime.
- Skills and interests workshops that devote a full day to reviewing and analyzing staff members' skills, interests, and preferred work styles in order to help view their own competencies and interests in preparation for another workshop on job hunting.
- Workshops on job finding and campaign effectiveness that concentrate on how to: understand the job market, improve presentation skills, develop an effective resume, obtain meetings and interviews, and effectively interview and negotiate for a job.
- A career resource center that provides professional resource materials, computing equipment, telephone, and information about employment opportunities both on- and off-campus, available by prearrangement during institution business hours.
- Monthly follow-up job-search sessions to provide group discussion on job-search efforts and how best to improve individual performance.
- Computer skills training that focuses on specific areas of interest

such as computing concepts, on-line forms, and basic level instruction with PCs and Macintoshes.

- Resume profile directory that circulates brief synopses of eligible staff members' competencies, work experience, and educational accomplishments to prospective supervisors and all human resources staff. The directory facilitates departmental consideration of lay-off candidates.
- Weekly job announcements that go directly to laid-off staff members' homes for one year after their termination date.
- An employment hot line that lists all the most recent openings at the institution, which is accessible 24 hours a day.
- Complimentary membership at a career center in the community for a reasonable period of time, such as six months to a year.

The workshops might use the skills of an expert in personal dynamics, as well as in job placement. One institution started its job-skills workshop by allowing laid-off employees to vent their anger for a full hour before introducing the subject matter. Respecting the participants' grieving process—including shock and denial, anger and depression, forgiveness, and finally, understanding and acceptance—was important to their ability to get through the pain and move on to the search. The workshop included a rejection exercise because, "Once they get it off their chests, they feel so much better that they can go on with the workshop," said the facilitator, who checked the participants' emotions throughout the sessions, and in monthly follow-up meetings.

One institution, anticipating substantial lay offs in the coming two years, extended workshop eligibility, counseling, and outplacement services to those "at risk" of losing their jobs, where it previously had offered services only to those who had been laid off formally.

The employment services manager at that school said, "It really appeared that people were able to go out and find opportunities without having to sit on their hands knowing their jobs were at risk, or having to wait until they were notified and then have only 30 days to find a job or be unemployed."

That manager also implemented an in-house temporary service, to allow laid-off employees the opportunity to continue working, albeit sporadically, while they sought new employment, and to introduce them to new offices on-campus. Several of the laid-off employees who worked for the institution's own temporary agency were rehired within a year. And the institution made some headway in its expenditure on temporary help: of the $4 million it spent on temporary services that year, $1 million remained in house—with the use of the in-house agency. Employees who would have been at risk in that organization's employment office retained their jobs by staffing the fee-for-service temporary service.

To summarize:

- Clearly define permanent lay off.
- Consider the introduction of voluntary furlough programs to save jobs.
- Retrain employees for new positions when possible.
- Consider a hiring freeze.
- Consider offering preference for reemployment.
- Consider trial periods of reemployment that guarantees a return to the preferred status of a laid-off employee if the match does not fit.
- Offer workshops for managers who must convey the lay-off message.
- Offer an array of workshops and services for affected staff.

If you are responsible and responsive to those who have served the institution in the past you will help ensure continued loyal service by those who remain on staff in the future. Employees feel committed to institutions with a heart, and that commitment is an essential ingredient in an effective workplace.

CHAPTER

9

Early Retirement: Respecting Where You've Come From

Caveat: This chapter contains information about the voluntary early retirement program at Stanford University. The plan was tailored to Stanford's specific needs and legal restrictions. Please consult legal counsel before implementing any of the suggestions in this chapter. Please also check with legal counsel about Employee Retirement Income Security Act (ERISA) and Age Discrimination in Employment Act (ADEA) requirements before designing and offering retirement plans. Public colleges and universities should consult counsel to ensure that their plans coordinate with state retirement system restrictions.

Early retirement represents a special type of voluntary separation plan designed to support the institution's downsizing efforts to recognize the contributions of long-term employees with a financial reward, and to provide an alternative to lay off. It is an option that managers in the business world and in the nonprofit sector of higher education have considered and implemented successfully.

Institutions commonly have offered early retirement incentives to faculty members—either those already eligible to retire, but who need an incentive to enter the ranks of emeriti, or those who are not flourishing and who would do well to move to another institution but need a financial bridge.

While early retirement incentives for administrative staff are less common, they are a useful tool to recognize and reward long-term staff who otherwise might be subject to lay off because their positions are being eliminated. They offer the staff member status as an official institution retiree—with all the benefits accorded retirees. Such programs—implemented when they can benefit the institution as well as the employee—also can help bridge the perception of inequity in faculty and staff compensation.

Structuring an Early Retirement Incentive Program

Early retirement programs are not open-ended propositions. Rather, the institution offers enrollment to eligible employees for a limited period of time, say six months. And retirements must take effect within a limited period of time, say 18 months. Approval of a request for early retirement—including the date of retirement—is subject to the approval of the cognizant dean or vice president based on business needs and timeliness.

Parameters for eligibility vary. One large university that recently implemented a staff early retirement program defined eligibility two ways: applicants had to be at least 55 with 10 years of service to the institution, or their age and their years of service combined had to total at least 75. That school defined service as working half-time or more. The program was created for academic staff, including lecturers and research associates; nonacademic staff, except bargaining-unit employees; and nontenure line faculty and other teaching staff.

In defining eligibility, an organization can specify which schools, departments, or even job classifications are covered, so long as it provides a sound business basis for the definition. The difficulty in colleges and universities, though, is narrowly or esoterically described eligibility is seen as less than egalitarian.

In addition to retaining medical benefits and tuition assistance for dependent children, most early retirement programs offer a financial incentive in the form of supplemental pay, distributed in equal installments between the date of enrollment in the early retirement program and the date of retirement some months later. The incentive payment is drawn from the faculty-staff benefits pool, which means a voluntary retirement results in immediate savings in the operating budget. The incentive payment is most often based on years of service. For example, an employee with 10 years of service might receive supplemental pay totalling four-months' salary; 12 years of employment might provide five-months' pay; 14 years might generate six-months' salary, and so on up to a maximum of a year's salary at 26 years of service. Although supplemental pay is, of course, fully taxable, retirement benefits are based on the total compensation—regular salary plus the supplement.

Other benefits of retirement might include a free subscription to the alumni newspaper or magazine; athletic ticket discounts; use of libraries, recreation facilities, the staff counseling center and health improvement programs; and eligibility for membership in staff associations and the institution's credit union.

Please note: There are tax considerations involved in any monetary payments of retirement plans. The institution's legal counsel and tax consultants should review draft and final payout plans.

The Implementation Process

Once the details of the program are developed, the institution's office of human resources can generate a list of eligible staff from its data base. The

names, departments, and salary levels are provided to the president, provost, deans, and vice presidents, and, eventually, to business or personnel administrators in each unit who can confirm eligibility and identify other eligible staff whose names may not have shown on the computer list.

At the same time, printed details of the program are distributed to business or personnel officers in the departments and schools, and to employee relations representatives and benefits staff. These groups of staff resource people also are trained to answer potential retirees' questions.

During the enrollment period, interested managers or eligible staff members can attend information seminars held monthly to address questions and concerns about the program.

All staff should receive written announcement of the program through interdepartmental mail. Human resources officers or unit managers within each department should hand deliver to eligible staff a direct letter from the office of human resources that describes the program details, and a complete early retirement program packet, including:

- Program description
- Common questions and answers
- Outline of the institution's regular retirement benefits
- Benefits resource sheet, detailing insurance options for retirees
- Medical plan summary
- Retiree medical rate sheet
- Guide to Social Security and Medicare
- Return envelope to request an enrollment form

After that, eligible employees may request—and managers may offer—early retirement, with the date of retirement mutually negotiated based on business needs. Professional staff normally would provide at least four weeks' notice, and clerical staff should give at least two weeks' notice before their intended retirement date. Employee-relations representatives and benefits specialists should be available to assist both eligible staff and managers in accomplishing voluntary early retirements.

Rules and Regulations Governing Early Retirement Programs

The law requires employers to grant eligible staff at least 45 days after receiving a voluntary enrollment form to consider enlisting in an early retirement program. In fact, the law for release times requires employers to grant eligible staff at least 45 days after receiving an enrollment form to consider enlisting in an early retirement program. In fact, employers cannot even accept a formal request to enroll until 45 days have passed from the date the employee receives the enrollment form. Unit managers must account for all enrollment forms and keep track of who has them and when they were distributed.

Employers may also opt to implement a seven-day grace period after the early retirement option is exercised, in which enrolled employees can change their minds and rescind their decision to take early retirement.

The formal enrollment form should state outright that the decision to retire is voluntary. It might also recommend that the prospective retiree consult with an attorney before signing the form.

Participation in an early retirement program does not necessarily rule out the possibility for reemployment at the institution. One institution that recently implemented an early retirement program had these conditions:

- If an early retiree was rehired into a legitimately open position not targeted for reduction, he or she did not have to repay the supplemental salary received before retirement.
- Moreover, if the date of rehire was within a year of separation, the institution restored accrued sick leave and the rate of accrual of vacation.
- Subsequent severance was based on the new hire date, not the original date, because the employer already had paid a "severance," in the form of supplemental pay, for the first period of service.

Is the Plan Cost Effective?

Several assumptions govern the estimation of future costs and savings attributable to an early retirement program.

Variable assumptions include:

- *Participation rates of eligible staff.* These rates can be modeled at 33 1/3 percent for low value incentives, 50 percent for moderate incentives, and 66 2/3 percent for high value incentives. One third of early retirements will include staff predicted to retire even without an incentive.
- *Definition of eligibility.* A smaller pool of eligible staff will undoubtedly save money paid out in salary supplements in the short term, but may have negative effects over time that range from retention of higher-paid staff with more years of service, to an increased number of lay offs. A higher number of eligible staff may lead to loss of long-term career talent and "brain drain."
- *Assumption that those in the early retirement pool will otherwise retire at rates that vary with age.* Lower probability of retirement is assigned to younger ages. Probability increases sharply at age 62.

Constant assumptions that can be used in modeling costs and savings include:

- Sixty percent of staff accepting early retirement are replaced and new employees are paid 60 percent of the retirees' salaries.
- Many of the staff accepting early retirement will retire in the first month or two of the retirement period, another large group will retire in the first months of a new calendar year (for tax purposes) and the majority will retire in the final month of eligibility.
- Retirement likelihood increases with age and years of service.
- Retirement likelihood is not directly related to salary level.

For instance, Stanford benefits analysts developed this chart of the various scenarios an early retirement plan would offer.

Scenario	Eligibility	Participation	Incentive Cost	Salary Savings	Net Savings
				(in millions)	
Scenario I	Group A	33 percent	$8	$49	$41
Scenario II	Group A	50 percent	$12	$74	$62
Scenario III	Group A	67 percent	$16	$98	$82
Scenario IV	Group B	33 percent	$10	$64	$54
Scenario V	Group B	50 percent	$16	$96	$80
Scenario VI	Group B	67 percent	$21	$128	$107

Eligibility Group A consisted of staff who had attained age 55 and served the institution at least 10 years; Group B consisted of all those in Group A, plus staff whose age and years of service totalled at least 75, provided they had served the institution at least 10 years.

The indicated net savings represented the differences in cost between:

- Offering the incentive plan and replacing only 60 percent of retiring staff at 60 percent of their salaries.
- Not offering the incentive plan, and, further, not reducing head count.

Thus, the indicated savings is attributable to two sources: the decision to reduce head count, and the decision of *how* to reduce head count. In other words, a substantial portion of the savings attributed to an early retirement program would be realized if the same level of staff reduction were to take place through lay offs, and replacement hiring were to take place at 60 percent of head count and 60 percent of salary. But the cost in morale and ensuing productivity is immeasurable.

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A Word About Faculty

Sometimes even an early retirement program is not enough incentive to help faculty find their way to separate from the institution. In such cases, and during periods in which downsizing is a primary objective, a faculty buy-out program may be desirable.

Like the staff early retirement incentive, it is offered only for a window of time. Its purposes are to: support the institution's downsizing requirements, and provide a reward for those faculty who volunteer to separate. A faculty buy-out program may be offered to those faculty already eligible for early retirement but who need an even greater incentive to retire, as well as to those not yet eligible for retirement, but who need a financial bridge to help them move to another institution.

One institution allowed deans and directors to offer three years of base salary plus benefits to those ineligible for retirement, and two years of base salary plus benefits for those qualified for the faculty early retirement program. The provost created a central "bank" from which the schools could borrow the money to fund their buy outs at low interest rates. Repayment was due within five years, but, as an incentive for schools to use the program, one third of each loan was forgiven. This novel approach provided the schools with an additional one-time incentive to reduce their primary academic expense: faculty salaries and benefits. *Please note: check with legal counsel to ensure Age Discrimination in Employment Act (ADEA) requirements are met.*

A note of caution: faculty buy-outs are distinct from enhanced early retirement incentives. Supervisors must be careful not to encourage early retirement and then later, after many retire believing theirs is the best deal, offer an even richer version of the early opt-out. People who took the earlier version can bring suit, and perhaps successfully receive the value difference between the first and second programs.

Putting Policy into Practice

Early retirement incentives offered for limited windows of time can save an institution millions of dollars as well as earn them enormous good will. Vacancies can be filled with employees who might otherwise face lay off, with new employees at lower salaries, or may remain unfilled and contribute to reduction of the bottom line.

In any case, institutions must develop plans that make good financial sense for them based on their own reduction targets and their own cost/savings analyses.

Once a program has been designed:

- Generate and *verify* a list of staff eligible for the program.
- Educate local staff affairs officers and managers, benefits special-

ists, and employee relations representatives about the specifics of the plan.

- Clearly communicate the plan and its intended objectives to all staff, *eligible or not*, through campus mail and newspaper announcements.
- Directly communicate the specifics of the plan and enclose various pieces of supportive collateral to eligible staff. *Unit managers or local staff affairs officers should hand deliver these packets to eligible employees.*
- Hold monthly information sessions for eligible staff, their spouses, and managers, to answer questions and address individual concerns.
- Distribute enrollment forms as employees request them and keep track of dates.
- Collect all enrollment forms by the end of the enrollment period, signed or not, to comply with the government's 45-day enrollment window.
- Reevaluate unit-by-unit reduction needs based on whether retirees must be replaced, and at what salary level their replacements must start.
- Reevaluate the need for lay offs.

Early retirement can create a win-win solution out of a lose-lose proposition. It streamlines the work of the institution and releases deserving, long-term employees with the added financial reward of a salary supplement.

CHAPTER

10

Retaining the Institution's Multicultural Character: Many Routes to the Right Place

Most colleges and universities learned some time ago to value differences among people as assets to their institutions. Contrary to the American myth of a melting pot in which the cultural characteristics of each ethnic group blend into a homogeneous stew, most higher education administrators find that encouraging the expression of various cultural identities adds vibrancy, vitality, and interest to campus life. Moreover, some administrators have argued that without culturally diverse staff, an increasingly international, multicultural student body has no reasonable way to relate to the institution. As one university vice president said, the collective staff profile may create an intricate and beautiful tapestry, but if the threads are all the same color, no one can see its splendor.

But here's the rub: since the appeal of the international, multicultural mix is a rather recent "value," reducing the staff in the "last hired, first fired" mode that has come to be regarded as most fair jeopardizes the advancements made in recruiting women and minorities. And because many minorities and women are newer, younger employees, they generally hold the task-level, learning positions that managers too often are inclined to identify as dispensable.

Using traditional models, "you disproportionately lose women and minorities," said the manager of a recent downsizing exercise at a major university. "You disproportionately lose the advances you've made to become multicultural."

Dealing with Demographics

Hammered by hard economic times—whether from declining enrollment and subsequent diminished tuition income, elusive state funding or nonrenewable research grants—colleges and universities, public and private, have been confronted with the same dilemma: how to cut back budgets without cutting back the advances made in affirmative action.

Saving jobs across the board is a surefire way to retain multicultural

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character. The fewer jobs lost, the smaller the effect on demographic totals. So encourage managers to be creative in their budget reduction plans, to explore options other than lay off that can create win-win situations for the institution and its staff. For example:

- Ferret out new sources of funding to preserve positions.
- Offer potential lay-off candidates the option to stay on staff at reduced hours or reduced job classification (and responsibility) to save salary and benefits dollars. This option might be particularly attractive to employees with young families, those who want more time to spend with a retired spouse, and others with increased responsibilities and/or interests outside of their jobs.
- Develop early retirement incentives to offer valued, long-term employees a bonus and at the same time create position vacancies that can remain unfilled, or that lay-off candidates can fill. Incentives might include:
  —Continued participation in health plan
  —Continued eligibility for tuition assistance for college-bound spouses and children
  —Salary supplement based on years of service, to be included in compensation total used to calculate retirement benefits.

Faced with a multimillion dollar budget cut, one large university that instituted an early retirement incentive program was able to trim more than 600 positions from its payroll while laying off fewer employees than it had in each of the previous three years, when no budget reduction plan was in effect. How? More than 500 staff members subscribed to the voluntary early retirement program at that school.

First, of course, it is essential to identify how much trimming must take place, and to communicate the budget reduction target to all those affected. Whether income is lost from lower research income, declining return on endowment, or any number of other economy-driven determinants, central managers must calculate the total reduction and devise, communicate, and implement a clear plan of action.

After budget reduction targets are negotiated with each unit, the institution—through its office of human resources, as well as through other channels—must restate publicly its commitment to retain minority staff members. At one large university, the associate vice president for human resources distributed work sheets, providing a tool for managers to take a demographic snapshot of each position to be eliminated: position name, job classification, pay range, job end date, incumbent name, hire date, birth date, gender, and ethnicity. Completion of the work sheet drove home—in the managers' own handwriting—the demographic "before" and "after" of their unit-by-unit reduction plans. Another column on the work sheet, titled "Options," asked managers to consider budget-saving actions they could implement instead of lay off.

Stanford University: Two Case Studies in One

Stanford University's two waves of lay offs—one in fall 1990 and a second in the 1991-93 academic years—provide two case studies in how to address and protect the interests, concerns, and perceptions of minority staff in a climate that mandates streamlined work modes.

In the first round, euphemistically named Repositioning, the provost gave deans and vice presidents proposed budget reduction targets. They were permitted to present appeals to the proposed targets and together with the provost they arrived at bottom line figures that came to a $21 million reduction.

Stanford's Employee-Relations Manager, Keith Smith, said, "You're not going to cut back on travel and paper clips to save those kinds of dollars."

That meant lay offs for the first time at Stanford, a haven in which employees considered themselves members of a family. "I walked into a culture that was reeling because of the unraveling of the notion of 'the family,' the notion that you would be taken care of forever," said Sharon Parker, who served as director of the Office for Multicultural Development (formerly Affirmative Action) at Stanford from fall 1990 through spring 1993.

Despite an extensive set of counseling, outplacement, and job search programs, people were, for the first time, fearing for their jobs, and that fear was most intense in minority communities.

Managers needed awareness of the value of multicultural mixes in their units and in the overall institution. And at Stanford it was not enough to tell them. They were shown in seminars, by work sheets designed to provide demographic profiles of their units and the institution as a whole, and through anecdotal evidence.

In an effort to safeguard against any sort of discrimination, racial or otherwise, every proposed staff lay off was reviewed by a committee of three: an employee relations representative, an attorney from the university's legal office, and an affirmative action officer. "We challenged why departments were doing what they were doing," said Clare Phillips, the affirmative action officer who sat on the review panel. "We developed strategies that worked well in holding people's feet to the fire. In some instances we were able to go back and say, 'This person is being laid off for the wrong reason.'"

The group met weekly. "The value of the review group was to minimize misapplication of lay off as an opportunity to get rid of people for any reason other than elimination of the work in their job description," Phillips said.

She added her assessment that "for the university to stay aware and in touch with the value of diversity, the work group served a valuable role in holding managers responsible for fulfilling the university's stated commitment to diversity."

Because of the sensitive nature of its work, minorities at Stanford had been assured that the new Office for Multicultural Development would be spared the axe. "Everything was geared toward taking care of people," Multicultural Development Director Parker recalled. "But there's no way to

soften the blow when it happens to you, and it was compounded by the fact that it had never happened here before."

In all, 209 people were laid off in the 1990 repositioning plan, and fewer than a dozen cases required any corrective conversation with the unit managers proposing the lay offs. In the end, no discrimination charges were filed.

Fast forward to 1991. Multicultural Development Director Parker paints this picture of the campus: "In '91, we were still reeling from the crisis, but people thought that things were settling down from lay offs, from cutbacks. And then it became clear that there would be more."

A number of factors contributed to a new, floating university budget reduction target that was generally estimated at another $44 million per year. Chief among them was a nationwide reduction in government reimbursement for indirect costs of federally funded research. The outcome of negotiations with the government would affect Stanford's budget by tens of millions of dollars. Consequently, it was difficult for deans and vice presidents to be explicit with their staffs about the prospects for continued employment. Even if they were willing to be forthright, they simply did not know how deep they would be forced to cut.

The information gap meant that this time around, no promises to spare selected offices could be made, not even to the Office for Multicultural Development. This situation, too, contributed to the climate of fear. "Until people were forthright about who was going to be let go, fear was rampant," Parker said.

Then came the news that instead of a lay-off review committee, lay offs would be monitored as they had been under standard operating procedure, by decentralized staff-affairs officers and central employee-relations staff members. (Previous lay offs had taken place only when research grants ran out and sponsored projects had to shut down.)

Streamlining the way work was done had been an early goal of repositioning, and when it came time to put processes in place for the second round of lay offs, the Office of Human Resources chose to eliminate the inefficiency of weekly meetings by three high-level managers. Moreover, some unit managers at Stanford had objected to the earlier round's review committee, which they perceived to be second-guessing their decisions from afar.

So, in the second reduction the review committee would act only in the case of unresolved disputes between unit managers and employee-relations representatives. "It was labor intensive for the small number of infractions we caught, and the truth is a good employee-relations representative would have caught them, so that's the route we decided to go," Employee-Relations Manager Smith said.

The decision made sound business sense, but launched ethnic communities, which felt unprotected and left out of the process, into a tailspin. "The legal aspects were being addressed, but you can bet there were a lot of scared people," Parker said.

The fears and apprehensions swirling around the university make the stron-

gest argument for informing the campus as the process progresses. Some at Stanford say that if the university had reported on the lay offs more often and used multiple communication vehicles—memos, campus newspaper articles, and face-to-face meetings with interested staff groups—the administration could have sidestepped much of the mistrust that surfaced.

In fact, great efforts were made—in the end, quite successfully—to retain women and minorities.

Data compared the staff's gender and ethnic distributions at six-month intervals. In April 1992, before the lay offs took place, 60.7 percent of Stanford staff were female, 39.3 percent male. In October 1992, after 136 employees had left the university through lay off, attrition, and early retirement, the split was exactly the same. Before the lay offs, 29.6 percent of the staff belonged to ethnic minority groups. By October 1992, that figure had grown to 29.8 percent.

While the number of people who left the university was roughly half that in the first round, Stanford successfully cut its operating budget by $44 million—more than twice the $21 million target in the earlier reduction.

Stanford accomplished the goal to conclude its budget reduction process with a slightly smaller work force of highly effective, well-compensated people operating in an environment where their accomplishments are highly respected.

Putting Policy into Practice

The individual character of each college and university means that each institution's approach to budget reduction will be different. But doing what needs to be done in an ethical, sensitive, nondiscriminatory way is a common denominator to all institutions of higher learning. Some key guidelines can point the way:

- Plan and negotiate firm budget reduction targets by unit.
- Decentralize the authority and responsibility for planning to meet the reduction targets.
- Communicate reduction targets and plans for achieving them.
- Restate commitment to employ women and ethnic minorities.
- Work with unit managers to develop alternatives to lay off.
- Provide tools, such as work sheets and workshops, to help unit managers see and respect the multicultural character of their own units and the institution at large, and to encourage them to consider alternatives to lay off.
- Offer employees the voluntary option to reduce their hours or responsibilities and, in turn, their salaries.
- Use a central review of all proposed lay offs, whether by committee, by employee relations representative, or by managers of unrelated units, but focus only on those reduction plans or lay offs that appear to violate basic standards.

- Provide counseling, outplacement programs, and job search services for those ultimately laid off.
- Report results frequently, through memos, campus newspaper articles, and presentations to interested staff groups.
- Help staff learn to redesign the way their work is done to avoid overburdening amounts and stress.

Observing these guidelines can help central managers to maintain the richness of their institutions' fabrics, and preserve the opportunities to build, rather than rebuild, the multicultural character so valuable in the dynamic marketplace of ideas—the nation's college and university campuses.

CHAPTER

11

Flexible Work: How to Turn Detours into Shortcuts

An increasingly diverse work force challenges college and university managers to address the diverse needs and schedules of their staffs. Additionally, as administrators strive to do more with less—trying to cope effectively with right-sized environments, financial constraints, and staffing reductions—their employees confront increasingly complex job and family responsibilities.

In response, creative managers modify administrative practices and extend a warm hand toward work-time flexibility, where appropriate. Flexible work appointments can accommodate organizational demands and provide employees with an incentive to renew their commitment to accomplishment.

Economic and social trends projected up to the year 2000 present new challenges to attract and retain the best employees. Demographic shifts, declining productivity, and changing employee values underscore the importance of considering innovative approaches to work practices and exploring more effective alternatives for managing the workplace.

Changing Work Force Demographics

The labor pool is shrinking; during the 1990s, it will drop by more than 8 percent and grow more slowly than any time since the depression, according to a Hudson Institute report published in June of 1987.[1] Skilled workers are becoming more scarce, expanding the gap between the skills needed for institutional survival and those that workers actually offer. This phenomenon is occurring at a time when high school graduates appear to lack basic math and English skills—the skills that have become a prerequisite for a variety of jobs.

Additionally, the work force of the 1990s is more diverse. Nearly one-third of all new entrants into the workplace in the 1990s will be minorities.[2] Workers are older, more experienced, and competing for limited advancement opportunities. The Americans with Disabilities Act promotes employment of people who may need special accommodations to do their jobs

The authors would like to thank Anne Casey and Beth Kane of Stanford University for their contributions to this chapter. Some of the information from this chapter appears in CUPA's *Workplace Alternatives: How to Make Them Work for Your Institution.*

effectively. A variety of alternatives is required to address the training and development of the new work force.

By the year 2000, more than 60 percent of all American women will be working, and most will have children at home. In other words, parents will dominate the workplace.[3] Additionally, these employees will become more responsible for their own aging parents. Moreover, in most states, two incomes now are required to maintain an adequate standard of living and many people must live far from work to secure affordable housing.

Changing Worker Values

Increasing demands at work and at home have made it more difficult to separate personal and professional life. Employees exhibit the effects of extensive responsibilities and/or conflicts in work or family life in reduced morale, declining productivity, and increasing tardiness and absenteeism. The low morale and productivity of such bifurcated employees can affect other workers as well as the entire organization. A 1988 study at DuPont revealed that comparable numbers of men and women were affected by work and family issues. In another study, sponsored by the Canadian government, both men and women indicated they have refused a job, promotion, or transfer because it would mean less family time.[4]

Younger workers have different attitudes from their predecessors. Leisure, family, and lifestyle pursuits are as important to this group as work.[5] Older, more experienced workers seek more challenging educational and career opportunities to keep them stimulated and productive. Adults of all ages often wish to participate in informal and formal schooling, and an increasing number question the traditional life-cycle progression of education-work-retirement—in that order.

These changes have been accompanied by a growing awareness that traditional management practices are no longer efficient. Managers and supervisors must act sensitively, yet aggressively, to attract and support valuable employees. Work alternatives can help managers to recruit and/or retain highly valued employees by providing opportunities to maximize staff members' potential and minimize the discord family issues can present. These alternatives may be restricted by factors such as productivity, federal and state legislation, union contracts, restricted funding sources, interdependence, and operational constraints. But employers who can provide their staff members with the structural and individual support they need to balance work and personal life will flourish.

Flextime: Keeping it Simple

Flextime is perhaps the simplest type of work alternative: flexible work schedules allow variable starting and quitting times within parameters the supervisor establishes. Typically, flexible periods are at either the beginning

or the end of the day, with a designated "core-time" in the middle, when all employees must be present.

Flexible scheduling options include the following:

- *Starting and quitting times that are fixed and selected periodically.* Subject to supervisor approval, employees choose their starting and quitting times for a designated period and work eight hours daily following this schedule. For example, the employee comes in at 7 a.m. and leaves at 4 p.m. daily. After a 12-month period the employee and the supervisor review the arrangement.
- *Starting and quitting times that vary daily.* Subject to supervisor approval, employees choose a regular schedule where they begin and end at different times each day, providing they work eight hours per day. For example, an employee's regular schedule is Monday 7 a.m.-4 p.m., Tuesday 10 a.m.-7 p.m., Wednesday 9 a.m.-6 p.m., Thursday 7 a.m.-4 p.m., Friday 9 a.m.-6 p.m.
- *Varying in the length of day with a mandatory core-time.* This option allows for credit and debit hours as long as the employee is in the office during the core period each day and works the total required hours within a specific period. For example, an employee may choose to work 8.5 hours on Monday, 7.5 on Tuesday, 8 on Wednesday, 9 on Thursday, and 7 on Friday, totaling 40 hours in one week.

Some of the benefits of flextime are that it:

- Allows the redesign of schedules for positions or work units that need broader or more intensive coverage by providing more staffing options.
- Reduces employee absenteeism, tardiness, and turnover.
- Expands use of work space and equipment.
- Tends to reduce overtime costs.
- Improves employee morale, commitment, and productivity by accommodating management's and the employee's needs and personal responsibilities.
- Expands the recruitment pool, especially for specialty skill jobs.
- Expands hours of service, thereby accommodating client needs at irregular times.
- Allows the organization to retain employees with valuable skills who no longer want to work a full schedule or typical working hours.
- Accommodates employees who need undisturbed time to work or have special commuting considerations.

When deciding whether to implement flextime, consider state and federal laws. Some states have laws that prohibit nonexempt employees from

working more than eight hours per day without receiving overtime pay or compensatory time off, so arrangements may have to accommodate additional overtime expense. Special considerations may need to be made, too, if employees are in a bargaining unit.

Consider who will work during so-called off hours. These employees must be independent and able to work well without close supervision.

Customer service will be a factor, as there is a possibility of inadequate staffing during noncore hours, key people may be unavailable at certain times, cross-training employees to cover for one another may cause a temporary reduction in productivity, and customers may not have services at the time they prefer.

Scheduling and training, of course, will play a role in the decision to use flextime. Employees must learn to do each other's jobs to cover a longer schedule of hours adequately. Scheduling meetings and other office events at times when all staff are present could present a management challenge.

Job Sharing: One Billet/Two Bodies

Job sharing is an option in which two employees voluntarily share the duties of one full-time position, with salary and benefits prorated. Rather than the job being part-time, each *employee* who shares a specific position is part-time. Most often, the split is 50/50, but it can be 60/40, 70/30, or any variation. In any case, job sharers usually need to work a few hours beyond their share of the job each week in order to meet with their coemployees to exchange information regarding the work. Creative and innovative schedules can meet the needs of the job sharers and the department. Examples include:

- *Half-day on/half-day off.* Job sharers work four hours per day, five days per week.
- *Half-day overlap once a week.* Job sharers work 2.5 days per week with a Wednesday overlap.
- *One week on/one week off.* Job sharers work full-time, with every other week off.

Job sharing allows the institution to retain outstanding, committed employees who need to work less than full-time. It combines the skills and experience of two people to meet the needs of one position. Allowing both of them the flexibility to meet their outside obligations generally reduces absenteeism, tardiness, and turnover. It also improves morale, commitment, and productivity by accommodating management's and the employee's needs and responsibilities. Moreover, this option retains the department's 100 percent full-time equivalent (FTE) billet. It allows a smoother transition of employees—a full-time staff member can scale back hours by sharing a job or training a successor while making the transition into retirement or another career.

It also guarantees customer service availability during regular work hours, since one of the employees is always on duty.

The negatives of job sharing arrangements usually surface at the beginning. For example, supervisors must spend extensive time to find two compatible people with similar work styles and attitudes. Coworkers must be supportive in order for this plan to work, and yet they may initially be skeptical, or even envious, of those sharing the job. Confusion may exist for clients and colleagues because two people work interchangeably to provide the same service.

But once the match is made and the job-share becomes accepted office practice, its benefits can reward worker and workplace alike.

Flexplace: Working at Home

An agreement may exist between a supervisor and a staff member in which some components of the staff member's work are performed at home or at an external office. (This agreement is called "telecommuting" when computers are involved.) This plan is most appropriate for work that has clearly defined tasks and measurable work activity. Typically, a flexplace arrangement specifies the number of hours worked off-site each week. The staff member continues to work on-site for the majority of his or her work schedule.

Like other flexible work arrangements, the flexplace option improves employee morale, commitment, and productivity by accommodating management's and the employee's needs and personal responsibilities. Thus, it reduces absenteeism, tardiness, and turnover.

In addition to allowing the organization to retain a high-performing, independent employee who may otherwise be unable or unwilling to continue work, it also provides uninterrupted time for creative, repetitive, or highly detailed work. Flexplace allows for more office space options and accommodates the employee's commuting needs.

When deciding whether to implement a flexplace option, consider the following:

- Establish clear performance expectations and work output evaluations, which are critical to a successful flexplace arrangement.
- Identify the expense of establishing the home office: phone costs, computer equipment, insurance and repair of equipment, and office supplies.
- Initiate a written agreement that states the specific details of the flexplace plan.
- Maintain accurate time records.
- Ensure the employee's home provides a suitable work environment.
- Obtain review and approval by the institution's employee-labor relations expert for an employee covered by a collective bargaining agreement.

- Consider whether the employee's absence will be prohibitively inconvenient for clients and customers.
- Make certain the employee has specialized knowledge and expertise sufficient to work productively and independently since work time is unsupervised.
- Prepare, as supervisor, to manage the work, not the worker.
- Establish methods to stay in touch and deal with the worker's absence from the workplace in the early stages of the arrangement.

If the staff member supervises others, it may or may not be feasible for him or her to work off site.

Compressed Workweek: Making More Feel Like Less

Compressed workweek refers to a workweek (typically 35 to 40 hours long) that is condensed into fewer than five days. Common formulas for this option are:

- Four 10-hour days.
- Three 12-hour days.
- One week of five 9-hour days followed by one week of four 9-hour days.

An individual or an entire work group may use a compressed workweek. The hours designated must not compromise other employees' hours. This option should not be implemented for an employee covered by a collective bargaining agreement without review and approval by the employee-labor relations expert. It may be difficult to implement for a salaried employee, whose work is not necessarily defined by number of hours worked per week, but by getting the job done. Legal considerations may prevent an hourly employee from participating without daily overtime pay.

In California, for example, hourly staff cannot work a compressed schedule individually; they are only permitted this option if their entire unit operates on a compressed work schedule. Also in California, a compressed workweek is allowable only if a work group conducts a secret ballot vote and two-thirds of its employees vote for the change. Affected employees must receive two consecutive days off within each compressed workweek. Once the program is implemented, any changes require another secret ballot. Employees must sign the agreed-upon compressed workweek plan, including specific language to prevent employer liability.

When considering this option, be sure to consult on its legalities with an employee relations expert and/or a labor attorney. The benefits of a compressed workweek include the following:

- Helps decrease the cost of operating capital equipment.
- Improves allocation of labor time.
- Results in higher productivity due to fewer interruptions to the employee during atypical office hours.
- Reduces absenteeism, tardiness, and turnover.
- Improves computer access, because much on-line activity occurs during nonpeak hours.
- Expands options for communicating with businesses in other time zones.
- Improves employee morale and commitment and accommodates management's and the employee's needs and family responsibilities.
- Expands service hours to accommodate client needs at irregular times.
- Allows increased personal time during regular business hours.

Supervisors should not consider this option unless they are confident that their employees have demonstrated independence and good judgment; are self-sufficient, requiring little immediate supervision to complete tasks; are completely trustworthy, because they may have unsupervised access to confidential files; and have demonstrated expertise, because little support from others will be available at times other than regular office hours. Even with all these qualities in place, there should be a provision whereby employees can call on the supervisor or a colleague as needed to proceed with work. Scheduling staff may be difficult, and one staff member may take over the responsibilities of another. Finally, employee safety must be carefully considered, as staff members may arrive or leave the workplace alone and in the dark.

Leave Options: Time Off for Good Behavior

Leave time is an authorized period of time away from work without loss of employment rights. The absence may be paid or unpaid. Leave usually is taken for personal or leisure time, family responsibilities, health care, and education. The leave options discussed here are based on one institution's specific leave guidelines. The types of options may differ based on an organization's policies. Maternity and paternity leave and other health-related leaves are often included as a part of an organization's benefits package and are not included here. Some of the different types of leave options are:

- *Developmental Leave or Staff Sabbatical.* Developmental leave is a partially paid leave granted so that an employee can pursue job-relevant education or training. Developmental leave may be structured in various ways. The employee could receive 100 percent of his or her salary for one month, or 50 percent of his or her salary

for two consecutive months. A vice president or dean may choose to fund several developmental leaves structured in this fashion, or one for six months. A major benefit of granting a developmental leave is that it results in better-trained employees.

- *Personal Leave of Absence.* A personal leave of absence allows employees to take off for personal enrichment, leisure, or rest and rehabilitation. Vacation and sick leave do not continue to accrue. Personal leaves of absence frequently are scheduled during summer months and other periods that coincide with school breaks and typically are initiated by the employee.
- *Voluntary Furlough.* Voluntary furloughs allow staff to customize unpaid time away from the workplace, typically by reducing their hours for a specified period, or by taking a pay period off without compensation. Vacation and sick leave do not continue to accrue, but most other benefits continue uninterrupted. Furloughs, such as working 80 percent time by taking Fridays off for a quarter, frequently are scheduled during summer months and other periods that coincide with school breaks.
- *Phased or Partial Retirement.* Once eligible for retirement, employees may choose to continue working in some capacity. They may choose to draw all or some of their retirement funds while they work part-time. The arrangement can continue as long as it is productive for both the institution and the employee. Retirees who work 50 percent or more may continue to receive health benefits and other standard benefits. Thus, partial retirement allows employees to become more economically independent once they are fully retired, and, from the employer's point of view, fosters a better match between work load and worker availability.
- *Seasonal Employment.* Seasonal employment provides a predetermined work schedule whereby work ceases during the same periods of time each year. The employee is made aware of the cyclical nature of the work prior to employment. Like partial retirement, seasonal employment fosters a match between work load and worker availability.

All of these leave options:

- Allow the organization to retain outstanding, highly skilled employees.
- Allow the organization to expand the work force.
- Improve employee morale, commitment, and productivity, and accommodate management's and staff's needs and family responsibilities.
- Create an opportunity to cross-train or provide internships to staff who cover for another employee during the leave period.
- Are an attractive recruitment benefit.
- Provide a better match between work load and customer service availability.

In considering whether to implement these leave options, managers must understand the costs associated with granting them. Job or employment rights of an employee on leave must be protected.

Those most deserving of leaves may be the employees most difficult to replace, especially for limited periods of time. Those with technical or highly specialized positions, in particular, may be difficult to substitute.

In any case of employee leave, the supervisor must manage and redistribute the work load. Cross training of replacement staff may cause a temporary reduction in productivity. And if regular employees are temporarily transferred into the positions of those on leave, it sets off a chain reaction of position shifts that can result in difficulty when the employee on leave returns to work and all are expected to move back to their former slots.

If an institution does not limit accrual time, a seasonal employee may accumulate large amounts of vacation and sick time during lay-off periods. The seasonal employee then could be gone for extended vacation and sick leaves during normal work time. This situation (of employees with extensive leave time) creates staffing difficulties and decreased or eliminated services.

Miscellaneous Work Alternatives

Creative hiring is another way that managers can restructure the work flow for maximum productivity, while at the same time keeping a watchful eye toward cost containment. If the tasks are general enough in nature, if the work load is seasonal enough in its distribution, or if special projects are one-time-only, these options might be useful:

- *Part-time professional.* Part-time professionals are permanent employees who work fewer than 40 hours per week. They are required to perform the same duties as their full-time counterparts, but the volume of work is scaled to their hours. These professionals are not seen as entry level or temporary. Rather, they are fully functioning members of the work environment and differ only in the number of hours they work, which can vary from 10-percent to 99-percent time. This time could take a wide assortment of configurations. Some examples are one day off every other Friday (90 percent time); four days a week (80 percent time); mornings or afternoons only (50 percent time); or seven hours per day (87.5-percent time).
- *Floater position.* Floater employees hold regular, ongoing positions that are not assigned a specific task but may have assignments in different parts of the same office based on the organization's needs. These jacks-of-all-trades may be responsible for the same or similar work as other employees in the office and are entitled to the same benefits. If the flow of the office work load is not predictable, this option may not be feasible. For example, sporadic periods of deadline-oriented activity combined

with slower periods, or downtime, may mean that there is an insufficient steady work flow to warrant floaters.

- *Retirees and students as a temporary work force.* Students can provide assistance by performing clerical and/or paraprofessional duties to supplement staff as needed. If the nature of the office is not academic in orientation, this option may not be feasible. For example, students' work schedules must yield to class schedules, other school activities, and vacation periods—fine if the office crunch comes during the regular academic year. But if things heat up during the summer months when student workers are unavailable, this option may not serve the needs of the office.
- *Special services projects.* Temporary employees or outside contractors can be hired for special, short-term projects. But if the work is not project oriented, customers may be frustrated they cannot work with the same staff member for long periods of time, or even from one meeting to the next. Work space may also present a problem in the case of temporary employees expected to work on site.

It is interesting to note that some firms in Canada have successfully implemented a "4/5ths appointment," in which employees work for four years at 80 percent of their pay rate, and take the fifth year off, with the same pay.

These options:

- Provide a better match between work load and worker availability.
- May lower costs (as compared to using an outside temporary agency).
- Create employee familiarity with institutional procedures and regulations.
- Create opportunities for cross training or internships.

Where Do We Go From Here?

Employers must actively promote the recruitment and retention of high-quality employees. Especially in an era when employee skills seem on the decline, managers must try to make the work environment and employees' needs as compatible as possible. Establishing mechanisms through which managers can create more flexibility in daily work schedules is a viable avenue, but the process must be thought out for effectiveness.

When contemplating flexible work options, managers should keep the following thoughts in mind:

- Flexible appointments are opportunities and not entitlements.
- Administrators should ensure that flexible appointments will address needs appropriately.

- Flexible work options should be offered based on operational and customer needs.
- Options, in most cases, are intended to focus on opportunities for staff who are consistently high performers and have exhibited career commitments to the organization.
- Candidate selection must be exercised carefully, taking into account the needs of the department and fellow colleagues, health and safety consequences, equity, benefits issues, performance review, and productivity.
- Implementation of flexible work options should come after careful review of the nature of the specific option, expectations of performance, and the logistics of the transition.
- Managers and administrators need to be particularly sensitive to the audit process, legal liability issues, and funding restrictions.
- The employee, the supervisor, and the human resources department should have signed documents in hand agreeing to any changes. A trial period is strongly recommended, with regularly scheduled reviews with affected staff members and other colleagues.
- The manager and staff should examine the benefits closely when evaluating flexible appointments.
- Any modified work arrangements for employees covered by a collective bargaining agreement must adhere to provisions specified in the agreement.
- Managers should consult with the institution's employee-labor relations specialist before considering or implementing changes.

Flexible appointment options are a viable way for employers to address the changing needs of employees in the next century. They challenge managers and administrators, however, to take the time to assess their organization thoroughly and to ensure the options will indeed improve the quality of work, as well as employees' job satisfaction. If administrators do not examine closely all the possible effects of flexible appointments, these alternatives could be detrimental to both the organization and the employee.

Notes

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2. Ibid.
3. Ibid.
4. Edmonds, Jean, Cote-O'Hara, Jocelyn, and MacKenzie, Edna, "Beneath the Veneer: The Report of the Task Force on Barriers to Women in Public Service" (Ottawa, Canadian Government Publishing Centre, Vol. 1, 1990).
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CHAPTER

12

Commitment through Work Redesign: Rebuilding the Roads and Bridges

A newly streamlined, right-sized work force is probably skeptical of management direction in the immediate aftermath of downsizing. Employees may have lost friends and colleagues to lay offs, may be shouldering an additional workload, and may be emotionally wounded and unsure of their own future in the organization.

To safeguard against employee cynicism, it is best not to implement any work modification plan in a period of extreme change. Jumping immediately into work redesign runs the risk of employees writing it off as yet another trendy new approach that will dissolve when the latest leader leaves. When budget axes fall, when lay offs loom, when new leadership takes charge, lay low.

But once the work environment has stabilized, the healing process can begin. Work redesign can save the institution money, increase customer satisfaction, and streamline work for remaining employees. Understanding different approaches to redesigning work and selecting the pieces of those most appropriate for a given organization can have tremendous impact on the resulting commitment to work itself, colleagues and customers, and the institution as a whole.

Approaches to Change: Total Quality Management

It is ironic that the sector of U.S. society that introduced the idea of Total Quality Management (TQM) has been among the last to consider its implementation.

But while business and engineering professors in the nation's institutions of higher education since the late 1940s have espoused the principles of TQM—focus on critical functions, set priorities, and plan for the long term—administrators who worked across campus may as well have worked across the galaxy.

Until they encountered economic trouble, beginning in the late 1970s and continuing to the present, campus managers paid little attention to the total

quality concept that professors taught in the classroom, advised for industry, and, ultimately, exported to Japan.

When the need to downsize finally forced a hard look at h the business side of higher education is conducted, the TQM concept as applied and popularized in Japan provided a far from perfect fit. While Japanese industry is managed by executive directive—that is, from the top down—American schools are places of consensus management, with faculty senates, cabinets of deans, and administrative councils. Unlike their corporate counterparts, campus managers cannot command the implementation of TQM—or any other management system, for that matter—without facing possible mutiny.

Moreover, insightful campus managers recognize that it would not be in their interest to mandate revision and alienate the staff that has become so accustomed to a particular process that it resists modification, let alone wholesale change. Instead, adept campus managers seek to include the staff in the process to redesign work systems, enlist employee teams to define a problem, develop a strategic plan to address it, and manage its implementation. This process builds commitment: to the process developed; to coworkers who help develop the new process; and to the institution, if the commitment is perceived as made possible by the vision of top leadership.

Another Way: Process Management

Process management is different from TQM in that it starts by defining the customer base and ranking customer needs: ask customers what they want in order of priority, and find the most direct, cost-effective ways to satisfy the needs they consider most urgent. It focuses on the whole system rather than its component parts. Process management supports strategic planning by honing in on the most urgent or highest priority and allowing the lowest priority to be identified, and often eliminated.

Instead of concentrating on the current trouble spots in the system and fixing them, as TQM tends to do, process management begins with goals for the long term and strategies to attain those goals. Lack of strategic planning, lack of genuine commitment to employee participation, and assumption of solutions without good problem definitions have been prevalent in U.S. higher education. If no other restructuring principles are incorporated into the management of higher education, these should be: focus on critical functions, set priorities, and plan for the long term.

Yet the *modus operandi* for managing U.S. institutions traditionally has overlooked all these elements. While corporations in Europe and Asia focus on extremely long-term planning cycles of 25 to 30 years, in the United States a five-year plan is considered long term, and managers think they are doing well to project a three-year future. Most often, they consider the short term, as evidenced by the recent spate of downsizing episodes exercised in six-month to two-year periods at colleges and universities across the country.

Even when long-range plans are developed for college or university administration, they often go unused. A functional, long-range strategic plan must be dynamic and usable, and all the members of the organization need to know how their work affects the plan's momentum. Because 20 years is a long horizon, build flexibility into the plan to accommodate for changing economic conditions, demographics, and attitudes.

This long-term approach is especially helpful after a budget reduction. Downsizing most often is a response to short-term budget troubles. Elimination of work, work simplification, and reengineered work processes refocus attention on practices that are critical to long-term success. Resources can therefore be reallocated to the highest priority long-term needs. Besides greater efficiency, process management leads to higher value of the worker, personal satisfaction increases, emphasis on team accomplishment, and organizational strategic success. These factors correlate directly to individual identification with the organization and personal commitment to it.

Reengineering Work

In his article on reengineering, Michael Hammer advises American businesses to toss out old processes, examine what needs to get done, and devise new processes based on contemporary products and personnel. Using new technology simply to speed up old processes will not net the desired outcomes, he says.

"Reengineering cannot be planned meticulously and accomplished in small and cautious steps," he says. "It's an all-or-nothing proposition with an uncertain result."

But he is quick to add that despite the inherent risks, reengineering may be "the only hope for breaking away from the antiquated processes" that threaten to bog down U.S. business.[1]

That is fine for corporate CEOs who have the authority to "obliterate" at will. But in the consultative culture of colleges and universities, the people involved in the process being reengineered—and those who depend on its services—are the most likely architects of change. While they may be the group most resistant to mandated change, their own involvement in devising new operational processes will serve as an incentive for success. The opportunity to design and control their own work, the freedom to experiment, to correct mistakes *without blame*, and to learn from their experience builds employee commitment—not only to work and coworker, but also to the overall organization.

Use What Works

While TQM and process management were developed in the college and university classroom, not all the principles fit the culture of most institutional administrations. Reengineering created in the halls of corporate

administration lacks some of the needed ingredients for successful application to institutional administration, too. Still, some of the principles from each of these approaches can be translated to the world of higher education to improve innovation, efficiency, service, and quality, as well as morale, job satisfaction, and commitment.

Pertinent TQM and process management principles suggest:

- *Include those responsible for implementing projects in the process of designing how the work will get done.* Constructing quality councils or executive sponsors without including middle managers disenfranchises the people responsible for getting the work done. Allow those involved with the work to create their own systems for accomplishment rather than imposing such systems on them.
- *Implement change in a stable environment.* Employees may be skeptical, cynical, and even hostile to change in the midst of budget cuts, staff reductions, or new leadership appointments. Without enthusiastic staff support, new ways to work are almost sure to fail.
- *Redesign the work right where the work is going to be done.* If new skills are introduced at an off-site retreat, there is a built-in risk that the subsequent return to the workplace will automatically engender a return to old habits and old ways.
- *Restructure of the work is best facilitated by someone familiar with the internal character of the department.* The best laid plans of outside consultants often fail to make their way to implementation. (Warning: often, inside [department] facilitators cannot effectively challenge their own colleagues.)
- *Try the process with a particularly stable unit—one with the courage to experiment—and select a work process that belongs solely to that department.* Further, generate support by tackling troublesome processes from which people seek relief. Learn on the small stuff; practice on low-risk projects. But build on small successes to address high impact, higher risk concerns. Later, take on processes that cross multiple units; they have the greatest potential for simplification and cost saving.
- *Debrief the process, not the project.* Managers can invite team members to explain how they saved the organization $500,000. By understanding the process, managers can begin to address difficulties they had not even anticipated. Let the team develop and perfect a process so that it can be applied to bigger challenges. Let employees establish systems to solve problems.
- *Plan for the long term.* Consider a 20- to 25-year future.

From Michael Hammer, the applicable principles of reengineering are:

- *Organize around outcomes, not tasks.* Errors occur most frequently when paperwork is passed from department to department, without any single individual in the process who takes responsibility for the final outcome. Using expert information available on data bases, a single employee can take a process from start to finish. This approach not only streamlines the process and reduces errors, but also recognizes an employee's decision-making abilities. Thus, it empowers the individual and raises commitment to the success of the process.
- *Have those who use the output of the process perform the process.* Again, technology can assist in day-to-day tasks, such as procurement of office supplies. Rather than handling disparate orders from various departments, a streamlined purchasing department might concentrate on identifying competitive vendors and negotiating the best prices for the institution, based on its volume. The negotiated bulk prices and the vendors who offer them can be posted on a data base accessible to all departments. When a particular department needs notepads or pencils, for example, the department purchaser can order directly from an approved vendor, charge the supplies at the rate negotiated by the purchasing department, and accept delivery directly to the ordering office. This process cuts time and errors without sacrificing price. Such a system frees purchasing agents from the humdrum task of placing orders, and instills commitment to allow them to spend their time on the more important process of price negotiation. Likewise, departments are freed from a layer of bureaucracy—the purchasing department—so they retain control of their own purchasing decisions. The advent of technology allows the institution to control costs.
- *Subsume information-processing work into the real work that produces the information.* An example of this suggestion is an accounts payable process in which bills are paid when goods, not invoices, are received. The receiving department makes a computer entry when goods arrive on site and the computer system compares the delivery with the order entered by the purchasing department to trigger the appropriate action—usually issuance of a check.
- *Treat geographically dispersed resources as though they were centralized.* Use data bases, telecommunications networks, and standardized systems to capitalize on economies of scale without sacrificing the service that decentralization offers. A good example is the direct purchase of office supplies by individual departments described earlier.
- *Put the decision point where the work is performed, and build control into the process.* Provide computer-accessed information resources

to allow those doing the work to make decisions regarding it, rather than requiring them to turn to a supervisor for approvals or answers. This process eliminates management levels—an institutional savings—and engenders increased employee commitment to the work, and the institution that has recognized his or her cognitive abilities.

- *Capture information once and at the source.* Today's technology frees institutions from building and storing duplicate files housed in different departments. Use on-line data bases to record and store information just once, where it is accessible to all who need it. This practice eliminates duplicate work, discrepancies in the files (usually due to human error) that take time to reconcile, and storage space.

No matter which tips are used, the essential ingredient—without which work cannot be redesigned successfully—is lasting leadership with vision.

"No one in an organization wants reengineering," Hammer writes. "It is confusing and disruptive and affects everything people have grown accustomed to. Only if top-level managers back the effort and outlast the ... cynics will people take reengineering seriously."[2]

Case Study: The Business Practices Initiative

A group of leaders at a major private university has introduced a business practices initiative to examine how business transactions there take place, and how they can be improved.

Instead of hiring external consultants to come in, learn the culture, analyze the problems, and return with solutions that may or may not be implemented, this university has chosen to develop internal teams to acknowledge and use the expertise of its own faculty and staff.

Upper management hired five "team leaders" from other positions within the university for one-year appointments to analyze and redesign business practices in an effort to help the university achieve the transition to a new way of working. These "team leaders" did not undertake the project because any process is critically broken, but because they agree with the vision of their institution's leaders, that business administration could and should be characterized by:

- A focus on the people served, both internal and external to the university.
- Clear accountability.
- Process improvement guided by customer feedback at every level.
- Data integrity and ease of use.
- Sensible solutions based on graded, tolerated risk.
- Ongoing, skill-based development of people to enable confident decision making.

The institution's leadership, the five team leaders, and the teams they recruit are well aware of the obstacles they may face in their effort to reduce redundancy, eliminate unnecessary work, design manageable administrative processes, and ensure that processes become better and not just more complex. Obstacles include:

- Inadequate community input.
- Lack of support, either from sponsors or supervisors.
- Ineffective, or only one-way communication.
- Inability to recruit or retain improvement teams, including lack of incentive for participation and lack of backup money so that departments that contribute team members can compensate for employee absences.
- Unclear or conflicting goals.
- Unrealistic expectations.
- Cultural cynicism and resistance.
- Unsettled institution management issues.
- Unclear accountability.
- Early failures.
- Underestimating the need to prepare the culture for change.

Armed with that knowledge and the commitment to make a lasting difference, they expect success.

The Breadth of the Challenge

Many issues contribute to an institution's complexity and expense. They span the entire decision-making process, from who needs to know and who needs to be involved, to the lack of standardized business practices and networked data bases—requiring an administrator in every department. Other campuswide issues may include:

- Centralization versus decentralization
- Lack of mechanisms for feedback from service centers on status of work
- View, by faculty, of administration as a hindrance

The types of business practice problems that work redesign teams may confront are far-reaching. They include diverse areas such as:

Accounts Payable. Many institutions report glitches in paying vendors. The follow-up process is lengthy and cumbersome. There is no automatic feedback on the status of payment. The follow-up process tends to fall on the departments, which do not know there is a problem until an unpaid vendor calls. It is difficult for

departments to find out the status of payment. Late payment charges result.

Funding transfers. What is the difference between transfers of budgeted funds and transfers of expense, when is each appropriate, and how is each accomplished?

General Ledger. It takes too long to get information from the general ledger. Manual work is required to find out how much was paid for a particular item.

Payroll, Personnel. The process to place a new employee on the payroll may be confusing, lengthy, and cumbersome. It may contain too many steps. Errors in payout result in irretrievable money lost to the institution.

The performance appraisal process may be disparate, inconsistent, and only coincidental to salary increase. The resulting inefficient use of salary increase dollars results in ineffective recognition, that costs the institution in both personal and team commitment.

Many sick leave policies encourage staff to use or lose the time—all but inviting abuse..

Salary setting. Often, there is only sporadic use of criteria to determine differing pay levels. For example, two people doing the same job may be paid differently. This inequity results in loss of employee commitment to the institution. Other potential costs include conflict resolution and salary correction.

Sponsored Projects. When sponsor requirements, reporting, and requirements for close out are not handled efficiently, they can result in delays or difficulties to get sponsor money into the institution's system. At its worst, the inefficiency can result in a missed deadline that costs the institution significant research funds.

A business practices team starts with a particular process, such as the acquisition of sponsored projects. Team members ask how the process takes place currently. How often do steps have to be repeated because of lack of information, or because of error?

Then, they brainstorm about how to conduct this institution business more efficiently. Can steps be removed? Can centralized computer technology eliminate delays caused by lack of information or cumbersome approval processes?

A workbook designed by more than 100 managers, team members, and professional trainers at the case study institution provides a roadmap for the process improvement teams, as well as a way to document their process.

Process documentation can be shared with (1) managers who will oversee redesigned processes; (2) current and new employees who will need to understand the evolution of the new processes; and (3) future process teams who may wish to emulate the team's work.

The proceeding example outlines possible steps to redesign the process of sponsored projects acquisition:

1. Process Identification. (What is this process about?)

Process name: Sponsored Projects Acquisition

Process mission: Acquires sponsored projects and enables timely project spending

Process owner(s)—Management owner: Chief Financial Officer; Functional owner: Director of Sponsored Projects (The functional owner is the person who gets the call if something goes wrong.)

Process team members: (List names and titles)

Process description: A school-approved sponsored project (grant or contract) proposal arrives in the sponsored projects office, is approved and sent to a research sponsor, and (ideally) receives funding. An account is created in the institution's financial system, a budget is prepared and the school is notified that the principal investigator may begin spending.

2. Process boundaries, customers, and customer requirements. (Where does this process begin, and where does it end? Who gets the proposal? Who receives the initial information? How will we know if the initial information and resulting research proposal are beneficial to the institution?)

Boundaries: The process begins when the sponsored projects office receives a proposal and transmittal from a department. The process ends when a viable account has been created and the principal investigator begins spending.

Customers: External customers include departments, schools, principal investigator, and research sponsors. Internal customers include research administration, grants and contracts office, sponsored projects office, budget office, departments, and schools.

Product requirements: The product is a proposal with a transmittal letter. Requirements include institutional signatures and correct number of copies on deadline, plus any other requirements the research sponsor specifies.

Informational requirements: The initial information requirement is a transmittal form. The sponsored projects office requires complete, accurate forms with proper signatures.

3. **Process Flow Definition**. (What does this process look like, and do we all agree?)

Team members produce flow charts that depict the flow across departments, subprocess diagrams if necessary, and diagrams that illustrate detailed views of activities and tasks, as needed.

4. **Process Control Points**. (Where can we monitor the process and where might we insert feedback loops to ensure the process delivers quality?)

Team members examine the communication and dependencies between departments.

5. **Process Measurement**. (How do we know if we are meeting external and internal customer requirements, and how do we know if we have improved?)

Customer: Research sponsors

Effectiveness measures: Error rate, cycle time, service levels, ease of use, deadlines met, and correct number of copies delivered

Measuring device: Check sheet

Efficiency measures: Transaction cost and cycle time

Measuring device: Check sheet

(Note: Until you know the effectiveness measures, it is not worth getting the efficiency measures. Why? You may have a wonderfully efficient process that does not meet customer requirements!)

6. **Process Corrective Action**. (Now that we know all this stuff about the process, what are we going to do?)

Evaluate measurement results: The greatest time delay occurs between the time sponsored projects approves the budget and the time the account is viable.

Suggest improvements: Have sponsored projects enter the budget directly into the financial system once the budget has been approved.

Evaluate remedial alternatives: This team considered having departments enter the budgets, but determined that the institution would then lack control over the amounts entered.

Make recommendations—Short-term: Revise transmittal form for ease of use; use electronic mail to notify departments of awards and budgets. Long-term: Combine the sponsored projects office data base with the financial system; propose implementation timetable and responsibilities; obtain process owner concurrence; obtain other management concurrence (if needed); establish performance baseline standards; establish ongoing monitoring procedure; list corrective actions selected; describe how progress will be monitored—i.e., ongoing, by process owner; describe ongoing documentation of results—i.e., as needed.

Because the suggested changes are their own, the team members automatically buy in to the new way work will be done. Because they have worked in a supportive team, they bond to their colleagues and their colleagues' successes. And often, because the institutional leadership has provided the forum for them to explore ways to make their work more efficient, the team members are more committed to the organization.

What they find, and what speaks to one of management's interests in the process, is that the resulting higher quality—measured in terms of fewer errors needing retraction and correction—actually costs less than empowering employees to streamline their work with added responsibility. In other words, it costs time and money to fix errors.

Some of the costs of poor quality include:

- Work that must be fixed, redone, or completely scrapped
- Dissemination of wrong information
- Missed deadlines
- Lost contracts
- Loss of reputation
- Lawsuits

Of course, there are costs associated with error prevention, too. Some of the costs of quality include:

- Training
- Designing the process
- Building relationships with "customers" of the process
- Equipping the program, such as computers and computer networks

But over the long term, these costs are substantially less than the band-aid approach applied to fixing and refixing inefficient processes. The hidden

benefit of creating an environment in which it is safe for team members to take risks—invaluable in any tangible way—comes in employee commitment. Empowerment, increased job satisfaction, higher morale—these are built, not bought, in employees.

Sharing Success Stories

Unfortunately, only a handful of staff members can participate in processes that aim to redesign work. At the institution involved in the business practices initiative, only a hundred or so of the institution's 18,000 employees get hands-on experience in the initial one-year, pilot period. For the rest of the staff, the process may remain a mystery, and for the cynical among them, it may appear a mockery.

The preemptive solution lies in effective communication to the campus constituency.

As part of its business practices initiative, the case study institution designed a communications plan to build support for the concept of redesigning work processes through participatory planning, with steps to:

- Provide end-user information and ongoing feedback.
- Hold town meetings to obtain information and review plans of process teams.
- Provide the answer to "what's in it for me?" at all levels.
- Communicate the support and commitment of the deans and vice presidents.
- Publish weekly campus newspaper updates, including identification of process experts and team members.
- Publish articles about rationale, goals, successes, and savings.
- Conduct department-level testing before implementation.
- Be sensitive and honest about people's jobs changing, or being eliminated, as a result of redesigning work. Defuse anxieties.
- Communicate the costs and benefits of the initiative *and the costs of not undertaking the initiative*.
- Report periodically to the faculty senate and to department chairs. Provide "what's in it for them," i.e., fewer costs, more space, lower indirect-cost rates, etc.

A strong communication strategy will help build widespread endorsement of work redesign. And over time, work redesign can build commitment in employees—important because it increases the quality of the work performed, reduces employee absences that can cost the institution delays in critical processes, and reduces employee turnover and the costs associated with orienting new staff.

Forging Ties

Redesigning a work process breaks old liaisons. Not all of the individuals and departments previously associated with a particular process are likely to remain involved. Personal and departmental ties are diluted, so it is critical that the new process include new ways for the employee to identify with the work, with colleagues, and with the institution.

Although commitment at all levels comes from within, the institution can aim to create a culture that fosters pleasure in work, opportunities for growth, and skill development. In his book, *High Commitment Workplaces*, author Stephen L. Fink identifies five key elements that lead to high employee motivation:

- autonomy
- feedback
- skill variety
- clear identification of tasks
- task significance[3]

Redesigning work in teams of people involved in the process encompasses all of these elements. It gives employees power through involvement, lets employees develop a shared vision with leadership, and grants employees autonomy without blame. The leadership must communicate a clear direction for the people served, the resources they will assign to work redesign, and a commitment to removing obstacles to success. In short, effective leaders must delineate their expectations—of themselves as well as their employees. When an institution meets its employees' expectations, loyalty and commitment skyrocket.

How Leadership Builds Commitment

It is, of course, incumbent on the institution's leadership to create an environment in which commitment can flourish.

Fink identifies the commitment-building elements that institutional leaders can provide as:

- *Freedom on the job.* Allow employees to determine how they will get the job done.
- *Shared accountability.* This accountability includes collective ownership of a process and delegation of responsibility.
- *Employee development.* When an employee needs help from a supervisor, the supervisor should teach *how* to proceed, rather than simply proceeding to solution. Supervisors who provide explanation

and instruction help their staff to develop new professional abilities and autonomy—both building blocks of commitment.

- *Role models.* Supervisors should demonstrate a genuine commitment to the ideals of the organization and convey their own job satisfaction.
- *Accessibility and predictability.* Supervisors who make themselves and their resources available to employees facilitate getting the job done. Supervisors should communicate their regular work schedule and available hours to employees, and let them know of any planned absences from the workplace. Supervisors' temperaments should be predictable enough that employees need not worry about catching the boss on an bad day.
- *Empowerment of others.* Share the development and ownership of departmental goals as they relate to the institutional mission to experience the collective successes that build pride in work, commitment to colleagues and supervisors, and ultimately, commitment to the institution.[4]

At the private institution now undertaking a business practices initiative, the vision comes from five leaders: the chief financial officer, the vice president for faculty and staff services, the dean of the graduate school of business, the controller, and the associate vice president of the school of medicine.

Their vision encompasses commitment on three levels: to the work itself, to colleagues, and to the overall organization. Elements include:

- A clear vision of what the organization can be.
- A philosophy of mutual trust and respect.
- High levels of employee participation in decision making.
- Organization of employees into teams.
- Broad job descriptions that allow for employee development.
- Compensation based on skill and performance.
- Flat organizational structure based on business units.
- A strong commitment to quality and continuous improvement.

This institution has begun to link what its professors teach in its business administration classes to the philosophy that guides its own operational functions. And for the first time, both say the same thing: the academic enterprise will be hard-pressed to survive if the staff who perform the administrative and operational functions are not deeply involved in process management.

In summary:

- Communicate expectations clearly, including direction, resources allocated, and a commitment to remove obstacles to successful work redesign.

- Include staff in the process of redesigning work.
- Use the tools of technology to design new processes, not just to speed up old ones.
- Share success stories.
- Build new ways for employees to identify with their work, their coworkers, and their institution.

The degree to which colleges and universities close the gap between their espoused values—customer service and employee involvement, for example—and the way they conduct their business may be the measure that determines the level of their employees' commitment. Empowering employees to design their own work processes is one way to build the dedication and loyalty that leads to commitment—not only to work, coworker, and institution, but also to excellence.

As enduring as American institutions are—dating back to the 1600s—they continue to evolve, to adapt, indeed, to learn. It is not only their heritage to do so; but also their mission.

Notes

1. Hammer, Michael, "Reengineering Work: Don't Automate, Obliterate," *Harvard Business Review* 4 (July-Aug. 1990): 104-112.
2. Ibid, 112.
3. Fink, Stephen L., *High Commitment Workplaces* (Westport, CT: Quorum Book, 1992), 27.
4. Ibid, 159

CHAPTER

13

Downsizing Human Resources: Mapping Your Own Course

Each school or department has its own set of idiosyncrasies, which ultimately results in variations from the overall downsizing guidelines. In this chapter, we examine and address the nuances of a human resources department setting as an example of how to interpret and apply the principles described earlier in this book.

Few would dispute that the primary goal of a human resources organization is to provide services that facilitate the efficient and effective recruitment, development, and retention of well-qualified faculty and staff. But before downsizing the human resource department, it is necessary to see how it goes about supporting institutional goals—education, research, and public service. This exercise requires analysis, not only of the human resources organization, but also of its processes as perceived by the staff performing the various tasks and by the campus community at large.

Work Analysis

The service-versus-downsizing exercise begins with a work analysis, completed by all human resources services: the management office, the employment office, the compensation office, the benefits office, the employee relations office, the staff development office, the systems department, and any other offices that report to human resources management.

Department or unit heads, with information from the staff, address the mission of their department as it relates to the mission of human resources. In other words, they describe what is unique about their department in a paragraph or two.

Then, they complete a work sheet that describes each product or service they offer, the primary clients of those services, and the rationale for doing such work. For example, a few entries on a benefits department's work sheet might look like the following:

PRODUCTS/SERVICES	CLIENTS	CATEGORY
BENEFITS POLICY, VALUES, AND STRATEGIC PLANNING	ADMINISTRATORS, FACULTY, STAFF, RETIREES	POLICY SETTING, STRATEGIC
COMPLIANCE WITH TAX REGULATIONS	FACULTY, STAFF, AND ADMINISTRATORS	REGULATORY COMPLIANCE
BARGAINING CONTRACT BENEFITS AND ADMINISTRATION	UNION MEMBERS, SUPERVISORS, AND ADMINISTRATORS	CONTRACT ADMINISTRATION
BENEFITS FAIRS	FACULTY, STAFF, RETIREES	COMMUNICATION

Further, managers can identify each of the products or services as mandatory, core, or discretionary functions. For example, compliance with tax regulations and contract administration would be mandatory functions. Policy setting and strategic planning would fall under the core area. Benefits fairs might be considered discretionary: They are desirable large-scale communication tools, but their absence would not generate negative day-to-day repercussions.

Budget information in the work analysis should include:

- Total salaries and benefits attributable to the department and by program.
- Direct equipment, maintenance, and service expenses.
- Items, such as travel and supplies.
- Total expenses.

Staff information should include these numbers: clients served, full-time managers, professional staff, support staff, and total staff. Important ratios are number of employees served per staff member and number of managers to direct service providers. If the department has fee-for-service operations, list rates. Once managers complete this written exercise, the staff can provide even greater detail about the processes they perform.

In their book, *Cost Effective Strategies for Managing the Human Resources Function*, Ronald A. Bouchard, H. Clint Davidson, Jr., and Ray T. Fortunato suggest asking staff to:

- *Describe the tasks and chores they perform.* For example, checking personnel action forms for accuracy, checking wording of classified ads, placing ads, and writing rejection letters.
- *Attribute the authority of each action taken.* Sample notations might include "according to provisions of union contract," or "on the request of my supervisor."

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- *Estimate time spent on each action, either in a percentage or in number of hours.* For example, 20 percent of work time, two hours per day, seven hours per week, etc.
- *Evaluate the consequences of discontinuing action.* For example, "staff wouldn't get paid," "no concrete record of transaction," or "no serious consequences." In the evaluation section, invite staff to make suggestions for alternatives to the current action. Quite often, staff who analyze their own work come up with ways to be more efficient.[1]

Like the managers' analyses of their departments' work, the staffs' analyses help reveal what is mandatory, what is important, and what is dispensable.

College and university human resources managers who have used this work analysis approach have found that external forces such as tax and labor laws and contractual obligations dictate much of the work of their departments.

Typical human resources functions include:

- Recruitment and staffing
- Job classification and compensation
- Benefits design, implementation, and counseling
- Training and development
- Employee and labor relations
- Records and information processing

Other functions sometimes included under the human resources umbrella are:

- Staff projections
- Monitoring staff expenditures against budget
- Payroll
- Safety
- Affirmative action
- Wellness and employee assistance programs
- Career planning and counseling
- Child care

To evaluate how customers of the department measure the critical need for these services, human resources managers might consider surveying selected administrators and employees about their services. Some of the areas to explore are:

- Which of the pre-listed services:
  —Could you do without?
  —Do you prefer to do for yourself?

—Could you purchase outside more cost effectively?
—Do you believe adds greatest value when provided centrally?

- Promptness of response to requests
- Quality
- Courtesy and concern
- Adequacy of information about available services
- General satisfaction
- Perceived strengths and weaknesses (Even if the weaknesses described are inaccurate, human resources managers will want to address and correct the misperception)

Another way to gather information about the unit's effectiveness is to interview informal focus groups, of six to eight managers at a time, who have regular contact with human resources. Ask them to evaluate:

- Services
- Effectiveness of policies and procedures
- Effectiveness of benefits
- Capabilities of human resources staff
- Written and oral communications
- Organizational setup

Some human resources departments seeking external review have requested that a campus committee be established to critique their services. This approach provides an opportunity for users of the system, or "customers," to voice their opinions. It also helps human resources managers uncover what is on users' minds.

Some institutions have contracted for attitude surveys to learn employees' perceptions. Employees appreciate being asked their opinion. But human resources organizations that have ultimately decided not to alter their policies and procedures to reflect publicly reported staff opinion have experienced negative backlash.

Moreover, attitude survey data are unrefined, the surveys can be costly and time consuming, and there is a risk of unbalanced and inaccurate responses if an employee group organizes around one point of view. The surveys' contribution to how human resources might downsize should be determined in advance.

Some institutions have hired personnel consultants to visit their campuses and review—through surveys and interviews—what human resources does, and does not, do well. They also ask what human resources should do that it does not currently do, and what it currently does that it should not do. Upper administrators often trust outside parties who may present new approaches to get work done.

While objective productivity measures are hard to come by, some human resources departments have found it beneficial to compare the following statistics with their peer institutions:

- Ratio of human resources staff to employees
- Cost per job classification study
- Cost per hire
- Number of job vacancies per human resources staff member
- Cost per training program participant
- Percentage of budget committed to the personnel department

Of course, all institutions do not track the same statistics. But a recent survey of Brown University, Columbia University, Cornell University, Dartmouth College, Harvard University, the Massachusetts Institute of Technology, New York University, the University of Pennsylvania, Princeton University, Stanford University, and Yale University found:

- The average number of employees per human resources staff member is 138.
- The average human resources department expenditure is $347 per employee per year.
- The average ratio of human resources budget to operating budget is 0.4 percent.

Such statistics help to establish a benchmark for the comparison of the expenditure on human resources at one institution versus another.

The Case for Decentralization

In recent times, budget-conscious college and university human resources departments have recognized that they can be quite effective in their support of the institutional mission by acting as in-house consultants to decentralized managers who execute policy at the local level. While central human resources staff continue to formulate general policies and train administrators, they support administrators who can act autonomously on matters affecting their own units. Later, human resources staff audit the unit managers' actions to determine whether they need more information or training.

Within the central administration, satellite offices can ease departmental access to human resources functions. Some schools have had good results placing experts close to the client by housing them in regional offices that have as their principal objective excellent customer service. These regional offices can customize processes to meet unique local needs and still eliminate redundancies and minimize layers of administration.

In decentralizing some of its authority, human resources officials acknowledge that they assist deans and directors who are the undisputed human resources officers for their units. Because deans and directors generally lack the time needed to learn details of institutionwide policies and guidelines, central human resources consultants might suggest they share authority with someone within their unit who can concentrate on policy details. Central human resources representatives offer hands-on training for

these local representatives and meet with them regularly to review new policies or procedures. The central human resources office continues to establish new policies, while the decentralized offices implement and give feedback on the policies.

Generally speaking, it is effective to decentralize these functions:

- Decisions on disciplinary actions.
- Selection of final job candidates.
- Classification determination in routine cases.
- Data collection.
- Articulation of purposes and details of human resources policies.

These functions should remain the responsibility of central human resources:

- Approval of final dismissal.
- Human resources philosophy and institutionwide policy.
- Benefits program definition and eligibility.
- Union negotiations, although decentralized representatives can assist in the process by gathering information before negotiations and providing local administration.
- Job specifications and more complex classification determination.

The advantages of decentralization are many. Local representatives' daily interaction with the staff in their own units increases communication and staff awareness of human resources policies and programs. It provides more consistent local administration of policies than a central administration does. Central training ensures that there are sensitive, responsible people in each unit who can identify employee problems before they escalate to major proportions. Moreover, the representatives keep the central administration in touch with all areas of the institution.

A variation on decentralization is to establish a dual reporting relationship for the principal human resources professional in each line organization—to both the unit manager and the vice president for human resources. The unit dean, vice president, or director hires and evaluates these officers; sets priorities and assigns work; and implements programs and policies day to day. The management of human resources participates in the hiring of local representatives; participates in their performance evaluation from a central human resources perspective, providing input to primary review; provides guidance on complex issues, policies, and procedures; provides coordination of initiatives in the line organization and the human resources structure; and attends to the professional development of local officers. In dual reporting, a mutually supportive relationship between the line manager and human resources management is essential.

Freed from the daily dealings of departments and schools across the campus, a smaller central staff can then concentrate on streamlining efforts to

serve the campus community. For example, putting policy, benefits, and classification manuals on-line means they will always be up to date and accessible by local human resources representatives. Besides increasing the level of service, such computer efficiency also saves the costs of printing and reprinting manuals year after year.

A caveat: if planned poorly, decentralization can increase both cost and confusion. Be careful not to shift costs associated with central human resources to local administration. Keep a watchful eye out for departments that increase the number of full-time equivalents rather than promote local officers to higher job classifications, and offer them the potential for growth.

Self-sufficiency: Catching the Entrepreneurial Spirit

Another service, which also contributes to the financial self-sufficiency of central human resources, is an in-house temporary services agency. Most of the institutions that have explored this option find that departments are willing to pay to cover outside agency overhead—sometimes as much as 30 to 45 percent more than employee rates—in exchange for extra short-term assistance. While most outside agency employees are competent in the basics, an in-house service could train its temporary employees in the campus culture as well as in the institution's particular policies, forms, telephone system, and electronic mail, for example. If a temporary employee ultimately fills a permanent vacancy, the institution pays no conversion fee, as it would to an outside agency. An in-house service has the potential to hire the institution's own laid-off employees and early retirees. The fees charged by a not-for-profit in-house agency would likely be lower than outside services, and the money expended for temporary services would stay within the institution. Colleges and universities have been able to attract well-qualified "temps" because they provide a pleasant and consistent setting for people who seek the flexibility of temporary work.

To assess whether this option might work effectively, consider surveying various departments regarding the need for and cost of temporary services. Assessing whether temporary workers have been hired for regular employees who call in sick is another way to determine whether there is a legitimate need for temporary services. Clerical and maintenance services are the most likely areas of concentration for an in-house temporary agency. In recruiting employees, consider including students. State at the beginning that temporary workers do not receive benefits, only hourly wages. On the basis of hourly pay plus overhead, establish the in-house agency's "charge" rate.

Overhead costs might include:

- Office staffing
- Social security tax expenses
- Unemployment insurance

- Training
- Orientation
- Advertising

A second human resources function that could charge fees for services is training and development. On-campus fee-for-service courses actually may save money for departments that otherwise would send staff to outside training courses, which in many cases involve travel expenses as well as course fees.

An in-house training unit could identify an outside panel of preferred trainers and organizational development consultants who would offer their services—on- or off-campus—at discounted rates.

Moreover, feedback for on-campus classes provides trainers with a method to continuously improve their presentations within the context of the campus culture. When all the participants are employees of the same institution, they can build bridges between departments, and enhance understanding and appreciation of one another's work.

To determine whether fee-for-service employee development courses are viable, assess the needs of the units that use training services. Create a program development outline. Conduct a cost-benefit analysis that includes the costs of staffing, curriculum design, handouts, and space requirements, and the amount the institution spends on outside programs. Then calculate per-student fees to determine the feasibility of this option. Another way that human resources departments can generate income is to license some training courses for external use. An incentive to the staff implementing self-sustaining programs is to incorporate into its departmental budget a portion of savings realized by its own entrepreneurial efforts.

Finally, in recasting a human resources budget, consider this information: federal government guidelines (Circular A21) allow institutions to charge the benefits pool for benefits counseling and direct-training delivery. This charge allows appropriate recovery of expenses for the support of government-sponsored research faculty and staff.

Consulting For a College and University Leadership

Decentralization has led many human resources personnel to operate like consultants to line managers throughout their organizations. They identify needs, develop alternatives in solving problems, present options in oral and written presentations, facilitate discussion and, if asked, implement decisions.

The consulting model also provides a means to lift the entire office's esteem within the institution.

Top leadership seldom has the time to focus on the functions and abilities of individual departments. They value managers who provide progress reports and background information on special policy areas as vital, forward-

thinking facilitators who anticipate areas for attention before they reach a crisis point. So schedule regular meetings to update top leadership on actions completed, recommended policies, and special focus areas, such as benefits costs.

Besides meetings, human resources officers can present brief, cost-based summary reports on issues, including:

- Trends in retirement ages of faculty and staff
- Turnover within administrative units by classification
- Use of sick leave and its implications
- Comparative administrative staffs of academic units

Studies also can be helpful to top leadership engaged in policy development. Some research that human resources might undertake and present in a page or two include studies:

- By academic discipline of tenure-line appointments granted
- Showing comparative costs for health insurance over five years
- By discipline of requests for sabbatical
- By unit of retirement eligibility of faculty and staff

Principles to Live By

In streamlining and downsizing human resources while heightening regard for its functions by campus constituents and leadership, consider these principles:

- Focus on decentralized authority, implementation, and accountability.
- Benchmark staffing, funding, organization design, and performance against their highest quality, most cost-effective peers in higher education.
- Emphasize strategically planned customer service involving customers as participants in the advisory process.
- Limit centralized efforts to policy formulation and dissemination; broad program development and improvement; classification and compensation design; benefits development and administration; and simplification of processes and procedures.
- Develop robust regional field services that provide customized direct support and assistance to local implementation in schools and administrative units.
- Establish dual reporting relationships between human resources staff in line organizations and the vice president for human resources.
- Evaluate performance at the local, central, and regional level through postaudit, customer feedback, and formal survey.

Consider eliminating some discretionary services such as:

- Routine placement screens and tests for exempt and nonexempt positions.
- Training programs that users identify as "least critical."
- Calculation of maximum exclusion allowances for retirement program participants.

Cost-cutting might mean diminished support for new program development and reduced administrative service for internal human resources operations. But budget cutting also can bring with it the opportunity to simplify processes and improve quality, in areas such as salary setting, discipline and termination, and benefits enrollment. Replacing controls with after-the-fact audits and joint management reviews in an environment of clear accountabilities, training, monitoring, and feedback saves money and enhances autonomy.

Notes

1. Bouchard, Ronald A., et al, *Cost Effective Strategies for Managing the Human Resources Function* (Washington, DC: College and University Personnel Association, 1992), 5-6.

CHAPTER

14

Monitoring and Reporting: Checking the Landmarks Against the Map

In its role as consultant to college and university managers, human resources can provide tools to help managers develop their downsizing plans, offer analysis and advice on the plans they devise, and help monitor progress toward achieving unit goals.

Experts in human relations—also part of a strong human resources unit—can help managers to present their plans in ways that are clear and as unsettling as possible to staff. A key part of the presentation process is progress reporting—regularly telling the staff where the institution is in its process, what revisions to previously announced plans have been made, and why and what impact the downsizing effort will have on their jobs.

Publish or Perish

To monitor how well the institution is meeting its stated downsizing goals and to help ensure that the college or university does not find itself in a similar budget predicament a few months or years down the line, publish budget reduction targets—either in widely distributed memoranda or in the campus newspaper—and ask managers to monitor their own proposed reductions against their published unit targets.

Publishing targets not only helps managers avoid band-aid approaches that might ultimately land them in budget trouble again, but also gives them a reference point from which to revise their plans as circumstances within their units change. For example, a manager may have anticipated a need to lay off an employee and incorporated that action into the unit's reduction plan. If that manager learns that another employee within the unit has decided to exercise the early retirement option, the lay-off position may be spared. Similarly, resignations, transfers, or entrepreneurial efforts that generate money for the department might alter the budget picture drawn up in the early rounds of establishing budget targets.

An open, published process is one of the best antidotes to the rumor mill. If the targets and projected plans are available in black and white for all to

see, speculation—which can lead to anxiety and low morale—is all but eliminated. As the downsizing process advances, publish quarterly reports to analyze progress toward meeting the previously announced targets, perhaps using histograms to illustrate positions vacated through early retirement, attrition and lay off, operating budget saved, and distributions of staff diversity.

Tools for the Task

In developing realistic, appropriate downsizing goals, start by analyzing salary and staff levels, as well as staff demographics. Many colleges and universities value the advances they have made in affirmative action and want to safeguard against backsliding as they develop their reduction plans.

Central human resources can assist unit managers, who ultimately are responsible for establishing their own assessment processes, by circulating gender and ethnicity distributions by job status group to each unit. Human resources also might develop a work sheet to help managers summarize their proposed actions toward budget reduction targets. Some of the information human resources might suggest that unit managers consider as they develop their reduction plans include:

- Position name
- Position classification
- Salary range
- Job end date
- Incumbent name
- Hire date
- Birth date
- Gender
- Ethnic group
- Performance rank
- Options instead of lay off

The Tricky Business of Tracking Attrition

Tracking and reporting retirements and lay offs is critical to the downsizing process, but it can be tricky. Monitoring early retirees before the enrollment deadline is especially difficult. Managers must refrain from encouraging any employee to accept a voluntary early retirement option and discussions aimed at testing the waters might be misinterpreted as efforts at persuasion or age discrimination.

Central human resources can assist by monitoring projections. Human resources staff can assess interest in an early retirement option, for example, by the number of eligible employees who attend informational seminars. They also can get a sense of who is interested in early retirement by eligible em-

ployees' requests for a calculation of the benefits they would receive if they enroll in the incentive program. Such calculations also help the institution to assess the average benefit, which ultimately affects the benefits pool.

Systematizing the Monitoring Process

Position tracking provides a systematic method to monitor staff levels, salary levels, and ethnic diversity. The data base on which reports originate is only as up to date and accurate as the information that managers make available; a strong incentive to provide current data is the development of a tool that will help supervisors improve their own ability to manage staff salary costs.

A position-tracking data base can further assist managers to:

- Establish a standard way of evaluating staff across units.
- Manage effectively staff size and growth over time.
- Reinforce the identification of staffing targets and progress toward them.
- Relate staff budget figures to actual expenditures to track onetime savings.

One way to introduce the effectiveness of staff tracking is to identify a set of jobs to track across schools and vice presidential areas, such as "those now occupied or planned to be occupied by regular, nonacademic staff."

Participating managers would:

- Agree to specific guidelines in posting vacant positions, including assignment of a position number to the posting and addressing the posting's relationship to the unit's staffing plan. Human resources professionals can assist line managers in addressing the new position's relationship to the unit's staffing plan by posing the following questions:
  - —What alternatives to refilling this position have been considered? Alternatives might include making the position part-time, reclassifying it downward, or reassigning responsibilities among current staff and not filling the post at all.
  - —Why was this position filled at the same full-time equivalent and classification as the previous employee?
  - —What is the source of funding for this position? (This question assumes that it is an institutional priority to not fill vacated positions at the same level for jobs funded by the operating budget.)
  - —What is your progress toward meeting your budget-reduction targets in terms of dollars and staff full-time equivalence?
  - —Has the dean or vice president approved filling this position? (The answer to this question should be confirmed by the dean

or vice president.)
—Has the budget officer provided an approved position number for tracking purposes?

- Contribute to periodic human resources reports with summary information from all participating schools and vice presidential areas.
- Make available corollary data on downsizing programs such as voluntary early retirements, number of lay offs, vacant positions eliminated, and number and average value of severances paid.

After a period of time, these participating managers are in a good position to evaluate the effectiveness of position tracking in managing staff size, salary levels, and ethnic diversity. They also can provide data about their progress to local managers, faculty, and staff.

A few caveats about establishing a position tracking system:

- *Initial data problems are unavoidable.* The system can only be as accurate as the information the unit managers provide, and some undoubtedly will not be able to make the initialization of the data base a priority.
- *A discrepancy exists between the annual budget cycle and the more frequent reporting of job creation or elimination in the middle of a budget year.* Early reports, therefore, will provide only a snapshot of the staff versus budget picture, but in time, the data base will be able to provide histories of positions and their associated costs.
- *Accurate position history depends on the consistent use of position numbers.*

Setting the Process in Motion

In reporting, remember these key points:

- Publish budget reduction targets for each unit.
- Analyze current staff, salary, and diversity levels.
- Develop work sheets to summarize reduction plans for each unit.
- Track early retirement interest to anticipate enrollment and modify reduction plans accordingly.
- Publish quarterly reports on the institution's progress toward reduction goals, including summary graphs by school and vice presidential areas.
- Implement a data base to monitor staff, salary, and diversity levels continuously.
- Analyze full-time equivalence, classification, and responsibilities in new position announcements for maximum cost-effectiveness.

Regular progress reports help keep the institution on track in its downsizing effort and ease employee concerns and uncertainty. Considering the goodwill generated by making evolving plans widely known, progress reporting is well worth the effort.

CHAPTER

15

Old Contract/New Contract: Changes on the Road to Reduction

Somewhere along the road to reduction, the unwritten rules governing human resour[illegible]olicies and practices changed. Staff now lament the loss of a feeling of fan[illegible]y, the sense that the institution will always take care of them. They may resent the new "contract"—albeit still unwritten—that requires them to produce more results, to take greater responsibility for costs and for their actions.

After a major downsizing effort, the negatives of the new contract naturally will surface first. Shaken by skepticism, anxiety, stress, fear of change, and culture shock, staff will yearn for the good old days—the days when they knew what was what and who was who, the days when they knew the culture and the system. Recollection paints a rosy picture of the past, conveniently ignoring the institutional impediments that surely were part of the old contract.

With time, though, and with increased effectiveness and rewards for positive performance that are integral benefits of the new contract, staff will evolve to recognize, appreciate, and even adopt the attributes of the new campus culture as their own.

The Early Childhood of an Institution

At its inception, an institution—like a newborn—depends on its elders for simple answers, support, and care. The relationship of staff to top leadership is not unlike the relationship of a young child to a parent. In both cases there is a need to please and to defer difficult decisions to a higher authority. In exchange, the authority figure provides a sense of well-being, stability, and security.

Staff at institutions that recently have undergone budget reductions—and the ensuing changes inherent in reengineering institutional policy—listed these as attributes of the "old contract":

- Fun environment
- Pride in institution's accomplishments
- Individual more important than the job he or she did

- Staff "tenure" for adequate performance
- Unwritten promise of lifelong employment ensured long corporate memory
- No fear of termination
- No need to work "too hard"
- No worries
- Sense of teamwork
- Feeling of family led to stability, little change
- Close personal relationships between faculty and staff
- No competition between faculty and staff for resources
- "Free" health insurance
- Better benefits packages than after the budget reduction

But as staff continued to explore the unwritten rules that governed the employees' relationship to the institution, they discovered some commonly experienced drawbacks, as well. One self-motivated staff member, for example, recalled that her supervisor told her to back off a decision she had made. He suggested gathering a wide constituency of campus officers and to defer to their consensus, telling her that she would then not be held solely accountable in the event that her decision proved to be unpopular or in error. The employee felt frustrated and angry about the supervisor's imperative, which she carried out. In the end, the various campus constituents came to the same conclusion she had. While the consensus gathering process did not change the outcome, it added several months—in some cases it can add years and cost—to the project.

Other employees recognized this *modus operandi*, though they labeled it in different ways, including "no one ever made a decision," "pressure to slow down," "consensus management," "no individual responsibility" and "no accountability."

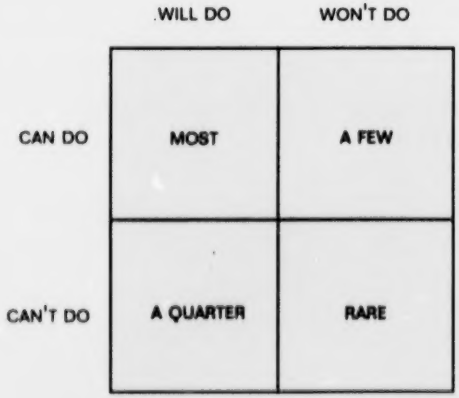
Other negatives that staff said the old contract perpetuated included:

- Elitism
- Snobbery
- Employee homogeneity presumed
- Low diversity
- Classism
- Benevolent dictatorship
- Poor performance covered up
- A deficit of 1 or 2 percent, which ultimately led to bigger budget problems
- Mixed messages, implying the contract was not for everybody
- Abuse of the system, such as long lunches or uncharged afternoons off

Making the Transition

Despite these negatives, the transition to a new code of conduct is fraught with fear. Managers who recognize that unnecessary and unexplained change leads to stress can do much to minimize anxiety, but they cannot prevent it altogether. Whenever corporate rules change, employees—fearing loss of power—jockey for position. Competition and insecurity levels shoot up and a general sense of panic sets in.

In the evolution to a new culture and contract, managers must face the difficult task to evaluate the work ethic of those in their units. The chart below represents a pictorial summary of supervisors' verbal feedback over the past decade on work attitudes and abilities:



The diagram illustrates that:

- Most workers can and will do their jobs.
- Some workers, about a quarter, will do their jobs, but cannot because they have not been supported with appropriate tools and training. Support and train them.
- A few workers can do their jobs, but will not. Coach and guide them to perform, or prepare for termination. This group's do-nothing attitude could drain institutional effectiveness through these employees' lack of productivity, their demoralization of otherwise effective employees, and their undone work that must be done by others.
- A rare worker neither can nor will do the job. Let this type of employee go.
- The vast majority of willing contributors must not be made to compensate for the lack of performance of these few. Discouragement,

lack of fairness, and overload will only add to the costs and stagnation of the enterprise.

Once staff understand that their attitudes now generate consequences, the stage is set for the transition to a new contract based on fairness and a high regard for productivity and ingenuity.

Attributes of the new contract include:

- Recognition of productivity.
- Recognition of a "can do" attitude.
- Consequences for lack of performance.
- Appraisal of performance that is honest and careful.
- Evaluation of professional results, not personal style.
- Opportunity for professional development and mobility.
- Freedom to offer change and try new ideas.
- Integrity in professional service.
- Strong leadership.
- Recognition of money-saving techniques and innovations.
- Acknowledgment of achievement.
- Acknowledgement of employees' opinions and recommendations.
- Diversity.
- Accountability and responsibility in decision making.
- Fairness—the rules apply to everyone.
- Consultation and decisiveness.
- Autonomy and self-management to a large degree.

Recall the analogy of an institution's staff and leadership to children and parents. Now that the institution has hit its teens, with all the insecurity and uncertainty that goes with adolescence, its leaders have to reevaluate the limits placed on staff and the level of autonomy granted to them. The institutional leadership can no longer afford to make all decisions, even in the best interest of the employees. Indeed, to do so would cripple its own development. Instead, leaders must provide staff the opportunity to account for their actions, bear the consequences or rewards as their performances merit, and gain the opportunity for professional advancement in the process.

The new contract provides a functional model for the administrative side of higher education. It challenges leadership and staff to examine what kind of future they cooperatively are trying to create. Decentralization, which often is a product of the downsizing effort, brings with it enhanced autonomy, accountability, responsibility, and pride in achievement. With the transition to this new code of conduct, this new campus climate, this new employer-employee "contract," the nation's colleges and universities will have matured. They can downsize, prioritize, reorganize, and maximize their efficiency for perpetuity.

The road to reduction may seem long and winding, particularly at the beginning, but it is navigable. Many colleges and universities already have set out on their trips to trim the budget; some already have arrived successfully at their destinations. Using the collective experience that their journeys offer—including the routes considered but not traveled—can provide a helpful guide to getting there.

Careful planning, effective communication, and humanitarian lay-off programs and policies can help to ensure a safe, if not entirely trouble-free, trip. Close examinations of the various means to streamline—including managing benefits costs, managing risk, managing staff and salary levels, and offering incentives for staff to leave the institution voluntarily—can help direct reduction efforts to the most productive ends. Consideration of affirmative action gains, the changing face and needs of the American worker, and attention to employee commitment can help strengthen the effectiveness of the emerging institution.

Tools are available to help humanize the institutional effort, including consistent reporting on reduction targets and progress and acknowledgement of the new campus culture. Define your own goals. Make your own map. It may seem like an arduous trek, but you *can* get there from here.

APPENDIX A

Agreement, Release and Waiver and Covenant Not to Sue

AGREEMENT, RELEASE AND WAIVER
AND COVENANT NOT TO SUE

In consideration of the special benefits which I will receive pursuant to the Staff Early Retirement Incentive currently being offered by Stanford University, I, hereby voluntarily release, waive, and discharge any and all claims, causes of action, rights, charges, or grievances (hereafter collectively "claims") which I have had, now have or may have, under any agreement, statute, law or otherwise, including without limitation all employment contracts, the federal Age Discrimination in Employment Act, as amended, and other federal and state laws pertaining to employment discrimination, arising out of or related to my employment or the termination of my employment pursuant to my early retirement; and I hereby covenant and agree with Stanford University, its past, present and future trustees, officers, agents, and employees, and all persons acting in concert with them, that neither I nor any representative will ever assert in any forum any claim as to which this covenant may be lawfully applied.

I acknowledge that I have read this agreement, that I understand its provisions, and that the University advises me to consult with an attorney before signing this agreement. I acknowledge that I have been given a period of at least forty-five (45) days in which to consider this agreement and that my execution of this agreement is knowing and voluntary.

For a period of seven (7) days following the execution of this agreement, I have the right to revoke this agreement, and this agreement shall not become effective or enforceable until this seven (7) day revocation period has expired.

I acknowledge that I understand that my participation in the Staff Early Retirement Incentive (SERI) program entitles me to receive a salary supplement based on my years of service at Stanford University. I understand that if I am rehired at Stanford after I retire, I will not be required to repay the supplement. I understand that if I am laid off after being rehired, my severance pay entitlement, if any, will be based on service subsequent to my date of rehire, and I will not receive severance based on periods of service on which my SERI supplement was already paid.

In addition to the terms set forth above, I specifically waive the provisions of Section 1542 of the California Civil Code, which reads:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her must have materially affected his/her settlement with the debtor."

I have read and understand the terms set forth above, and my signature below acknowledges my agreement.

_____ _____
Employee Signature Date

Date Given to Employee _____ by _____
Human Resources Rep
Date Submitted by Employee _____ to _____
Human Resources Rep

APPENDIX

B

Salary and Benefit Cost Reduction Management Guide

Assumptions

Cost reduction actions will be consistent with the academic mission and goals.

Actions will result in short term or long term cost reductions.

In the long term, actions will result in improved employee morale and the retention of quality staff.

Management review of programs and services will result in improved productivity and effectiveness.

Reductions of staff or work hours will be a result of reduced or eliminated programs or services.

Actions in personnel areas rests on management accountability for consistent and equitable practice across the University.

GLOSSARY

EXTERNAL SEARCH FIRM
A fee for service agency providing qualified candidates for specific positions.

FURLOUGH
Voluntary and/or involuntary leave without pay with continued University paid benefits for a specified number of hours, weeks or months.

HIRING FREEZE/SLOWDOWN
Discontinuing actively seeking candidates for vacant positions either permanently for a specified period of time, or establishing a monitoring process to identify critical positions.

LEAVE WITHOUT PAY
A leave of absence for a definite period with specific starting and ending date.

PERMANENT LAYOFF
Separation of a regular staff due to a reduction of the work force of a particular kind of work.

REDUCTION IN WORK HOURS

RESIGNATION
A voluntary termination of employment by the employee.

SEASONAL/TEMPORARY LAYOFF
Temporary separation of employees due to work flow patterns, economic downturn, restructuring or downsizing for a period not to exceed four mounths.

TEMPORARY HELP/CONSULTANTS

Parttime or expert help engaged by an organization for a fee and for a specified period of time.

TERMINATION
Take corrective action with poor performers through disciplinary process.

TRANSFER
Practice of moving an employee from one job or work shift to another.

Management Category
Program/Service Management: Managing the effectiveness, size, or scope of services and programs in a Dean or Vice Presidential area to meet identified programmatic and service needs.

Action		Time-frame*	Pro's	Con's
1. Eliminate a service or program. 2. Reduce a service or program. 3. Combine or consolidate a service or program.		L	- Better reallocation and realignment of limited resources through workflow restructuring and re-eningeering jobs - Efficiencies of scale and ability to more effectively leverage resources - Cooperation among units - Challenge old assumptions - Employee input	- Loss and/or reduction of staff, programs and services - Morale - Loss of productivity during reorg /restrcturing

* S = Shorterm (1-6 months) L = Longterm (7 months and longer)

Management Category
Turnover/Attrition Management: managing permanent change to the composition of the workplace

Action		Time-frame*	Pro's	Con's
1. Take corrective action with poor performers through to termination.		S/I	- Opportunity to hire faculty/staff with new skills (possibly at lower salary)	- Time intensive/mgmt. attention - Risk
2. More readily accept *resignations* when offered.		S/I	Same as above	- Training costs when hiring more junior staff
3. Facilitate staff transfers where there is a better match of skills and positions.		S/I	- Encourage accountability in performance mgmt - Mgmt. flexibility - Transfer priority: unit, sch/dept, VP SU wide - Reduce recruitment costs - Manage attrition - Stanford experience - Create SU as one employer - Emphasize internal hiring - Save cost of severance - Morale	- Training costs - Costs to "red circle" salary
4. Develop a strategy to encourage *early retirement* of older employees (faculty, exempt and nonexempt) within relatively short period of time.		S	- Opportunity to hire faculty/staff with new skills	- Costly - Uncontrolled departures - ER, legal issues - Training costs
5. Implement *permanent layoffs* (including self- identified) as a result of a reduction or elimination of a service or program.		S/I	- Mgmt. decision/control	- Negative employee morale - Can't replace - ER/legal issues

* S = Shorterm (1-6 months) L = Longterm (7 months and longer)

Management Category
Work Schedule Management: allocation of F.T.E. to meet program or service objectives

Action		Time-frame*	Pro's	Con's
1. Utilize *seasonal or temporary layoffs* of up to four months where workload allows (GM 22.8)		S	- Opportunity for staff development - Re-examine priorities	- Loss of productivity - Overtime expense - Increased expense for staff working out of classification
2. Develop a voluntary and involuntary *furlough* program of leave *without pay with Unv. paid benefits.*		S/L	- Mgmt flexibility to develop voluntary, involuntary and scaled to salary - Retention of workforce - Revitalized staff after break - Controlled shutdown	- Cut Income - Loss of productivity - Critical services need to stay open - Morale
3. On a permanent or temporary basis, *reduce hours* worked where workload allows		S/L	- Immediate cost reduction - Mgmt flexibility to develop voluntary and involuntary reductions through employee participation	- Potential for increased temporary help - Loss of productivity
4. Improve the management of *overtime and shift differential* to contain or reduce costs				
5. Achieve cost savings through use of formal *Leave Without Pay* programs (GM 22.7)				
6. Manage incurred cost liability through the monitoring of *vacation* and other forms of *leave*		L		

* S = Shorterm (1-6 months) L = Longterm (7 months and longer)

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Management Category

Hiring/Recruitment
Management: identifying and hiring candidates for new or vacated positions.

Action		Time-frame*	Pro's	Con's
1. Implement a *hiring freeze* for a specific period of time. 2. Implement a *hiring reduction or slowdown* by job category and/or for a specified period.		S/L	- Immediate one-time savings - Permit retaining current staff - Evaluate priorities - Manage staff size - Mgmt accountability	- Conveys message of mis-management - Loss of productivity - Additional workload for remaining staff - Increased use of additional pay for working out of classification - Overtime expense - Training expense
3. Eliminate the use of *temporary* help or *consultants* when existing permanent staff can be utilized. 4. Eliminate the use of *external search firms*.		S/L	- Flexibility - Focus on task - Fixed time/cost	- Expensive - Quality control - Reduces opportunity for regular staff
5. Reduce *relocation costs* by recruiting locally whenever possible.		S/L	- Immediate savings	

Management Category
Classification and Compensation Management: the appropriate level of job classification and remuneration for work preformed.

Action		Time-frame*	Pro's	Con's
1. Evaluate and take action on jobs (with incumbents /prior to posting) that may be appropriate for red-circling or downward classification.		S/L	- Immediate and long-term cost savings	- Morale
2. Review pay for out of classification work and eliminate where appropriate and equitable.		S/L	- Short-term cost - Mgmt. flexibility	-Inconsistent practice

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